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FINANCIAL TIMES

Cold climate
Kohl adds to German gloom
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Safety at sea
Charting a digital course
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Lessons in revival
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Executive education
Short courses come of age
Survey, Pages 13-18

World Business Newspaper

TUESDAY MARCH 12 1996

Japan's trade dips into red for first time in five years

Japan's politically sensitive current account swung unexpectedly into a small deficit in January for the first time in five years. Economists expect the surplus to reappear in the next few months, but believe the trend of declining surpluses will stay. Page 22; Editorial Comment, Page 21

German industry recovers: A big jump in manufacturing output helped German industrial production to a surprise recovery in January, but the Bonn economics ministry warned that the figures might have to be revised downwards. Page 22; When recovery is not enough, Page 21

Six states urge shelving of EU growth plan

Six countries, led by Britain, France and Germany, urged the European Commission to shelve proposals to shift funds from the European Union budget to support a new growth package. Finance ministers said the plan would send the wrong signal to the public when budget discipline was needed to prepare for monetary union. Commission president Jacques Santer (above) said he intends to press ahead with the move. Page 2

US businessman attacks Sinn Féin funding: There should be no financial backing for Sinn Féin in the US until the Irish Republican Army declares another ceasefire, William Flyn, president of US insurance company Mutual America, said in an interview with the Financial Times. Page 10

Strike at GM shuts plants: A strike at General Motors' brake plant at Dayton, Ohio, has shut 12 of its 29 North American assembly plants, affecting 40,000 workers. Page 6

Deutsche Telekom discounts approved: Deutsche Telekom, German telecoms group to be privatised this year, won government approval for large discounts to corporate customers. Page 2

Alcatel and Sharp in phone venture: Alcatel Télécom of France and Sharp, the Japanese electronics group, announced a partnership for the development of the next generation of portable telephones. Page 23

Arab radicals increase attacks on summit: Arab governments and radical groups stepped up their criticism of tomorrow's "Summit of Peacemakers" in Egypt, saying the conference would mask Israeli aggression and polarise the Middle East. Page 5

US to challenge Canada over magazine tax: Washington will challenge Canadian taxation practices which exclude US magazines from the Canadian market, US Trade Representative Mickey Kantor said. Page 4

Daewoo may buy Lotus: South Korean industrial group Daewoo is understood to have signed a letter of intent to purchase all or part of Lotus, the British sports car manufacturer and engineering concern. Page 23

India car sales advance: Car sales in India are growing by almost a third a year, Indian industry figures show. Page 4

Dutch to complete DSM sell-off: The Dutch government is to complete its phased privatisation of DSM, the Netherlands' second-largest chemicals company, by selling its remaining 11 per cent stake in the group. Page 8

Ex-presidents on trial: Former South Korean military presidents Chun Doo-hwan and Roh Tae-woo went on trial in Seoul on treason and rebellion charges for which they could receive the death penalty. Page 8

Turkey and Israel to scrap tariff barriers: Turkey and Israel will today sign a trade agreement eliminating all tariff barriers between them by 2000. Page 4

Cricket World Cup: The last two quarter-finals saw Australia beat New Zealand's total of 286 in Madras and the West Indies bowl out South Africa after scoring 264 in Karachi. The first semi-final will be played in Calcutta tomorrow between India and Sri Lanka, while Australia and the West Indies battle it out in Mohali, India, on Thursday.

London share service: A complete update of all London share prices was unavailable for this edition. Some prices shown may be pre-close. Prices for all FTA constituents have been fully updated with closing values.

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	5,455.38	(+24.93)
NASDAQ Composite	1,074.64	(+10.31)
Europe and Far East		
CAC40	1,948.88	(-26.57)
DAX	2,407.79	(-61.33)
FT-SE 100	3,674.5	(-35.8)
Nikkei	19,796.29	(-359.58)

US LUNCHTIME RATES

Federal Funds	5¼%
3-mth Treas Bills: Yld	5.069%
Long Bond	91¼
Yield	6.674%

OTHER RATES

UK: 3-mo Interbank	6⅛%	(6 1/32%)
UK: 10 yr Gilt	95 1/32	(95 1/32)
France: 10 yr OAT	104.3	(103.7)
Germany: 10 yr Bund	96.28	(96.19)
Japan: 10 yr JGB	98.542	(98.292)

NORTH SEA OIL (Argus)

Brent 15-day (Apr)	$18.32	(18.165)

GOLD

New York Comex (Apr)	$396.7	(398.2)
London: close	$396.2	(395.5)

DOLLAR

New York: lunchtime		
£	1.525	
DM	1.48105	
FFr	5.071	
SFr	1.2015	
Y	105.355	
London:		
£	1.5242	(1.5262)
DM	1.4823	(1.4836)
FFr	5.0788	(5.0805)
SFr	1.2014	(1.2035)
Y	105.345	(105.825)

STERLING

DM	2.2592	(2.2642)
Tokyo close:	Y 105.37	

Albania	LEK 220	Germany	DM4.00	Lithuania	Lts 15.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR12
Bahrain	Din1.250	Hong Kong	HK$20	Malta	Lm0.65	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft230	Morocco	MDh16	Slovak Rp	Sk85
Bulgaria	Lv130.00	Iceland	IKr230	Neth	Fl 4.75	S. Africa	R12.00
Cyprus	C£1.00	India	Rs75	Nigeria	Naira90	Spain	Pta250
Czech Rp	Kc60	Israel	Shk7.90	Norway	NKr20.00	Sweden	SKr20
Denmark	DKr16	Italy	L3200	Oman	OR1.50	Switz	SFr3.70
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Syria	S£65.00
Estonia	EEK 22	Jordan	JD1.50	Poland	Zl 5.60	Tunisia	Din1.750
Finland	FM13.50	Kuwait	Fils.650	Portugal (m'land)	Es240	Turkey	L70,000
France	FFr11.50	Lebanon	LL3,000			UAE	Dh12.00

Dow rally in US calms European markets

By Philip Coggan in London and Lisa Bransten in New York

Lex .... Page 22
Government bonds .... Page 30
London stock markets .... Page 36
World stock markets .... Page 40

European financial markets recovered from their lows yesterday as Wall Street rallied after Friday's sharp falls in bond and share prices following the publication of stronger than expected US employment data.

By early afternoon in New York, the Dow Jones Industrial Average had rebounded 50 points, triggering curbs on programme trading. It plunged 171 points on Friday, on fears that evidence of employment growth would stop the US Federal Reserve from lowering interest rates further.

The benchmark 30-year Treasury bond, which fell three points on Friday, the sharpest drop since the Gulf crisis of 1990-91, was around half a point stronger by early afternoon.

In the US equity market, cyclical shares benefited from the belief that the economy was not slowing as much as most economists had previously estimated. That led to a strong performance by the Dow Industrial, which is weighted toward cyclical shares.

US Treasury bonds benefited from bargain-hunting. Mr Les Nanberg of the mutual fund group Massachusetts Financial Services said he thought the long bond with a yield of more than 6.75 per cent presented a buying opportunity, given that inflation appeared as if it was still at about 3 per cent.

Analysts said there was a general feeling that the markets had over-reacted on Friday to the labour data. "The employment figures were so far removed from the trend that they were obviously a one month aberration," said Mr Keith Skeoch, chief economist at broker James Capel.

Mr Michael Hughes, global strategist at Barclays de Zoete Wedd, said: "Within 24 hours, markets went from discounting a fall in interest rates to discounting a rise, which was too big a shift." Nevertheless, world markets were in jittery mood, because low US interest rates have been one of the factors fuelling the global bull market.

Asian markets, which closed well before Wall Street opened, bore the brunt of the damage, with the growing tension between the US and China over Taiwan acting to depress sentiment. The impact was particularly severe in Hong Kong, where the Hang Seng index fell 7.3 per cent. In addition, the Hong Kong currency is linked to the US dollar and thus the colony's stock market is very sensitive to expectations of the likely direction of US interest rates.

Other Asian markets to be hit included Indonesia, where the local index fell 4.2 per cent, Sydney, which dropped 3.6 per cent, and Tokyo, where the Nikkei 225 average dropped 1.8 per cent to 19,796.29, its lowest level of the year. In Europe, leading stock markets fell around 2 per cent at one stage but recovered when Wall Street opened higher.

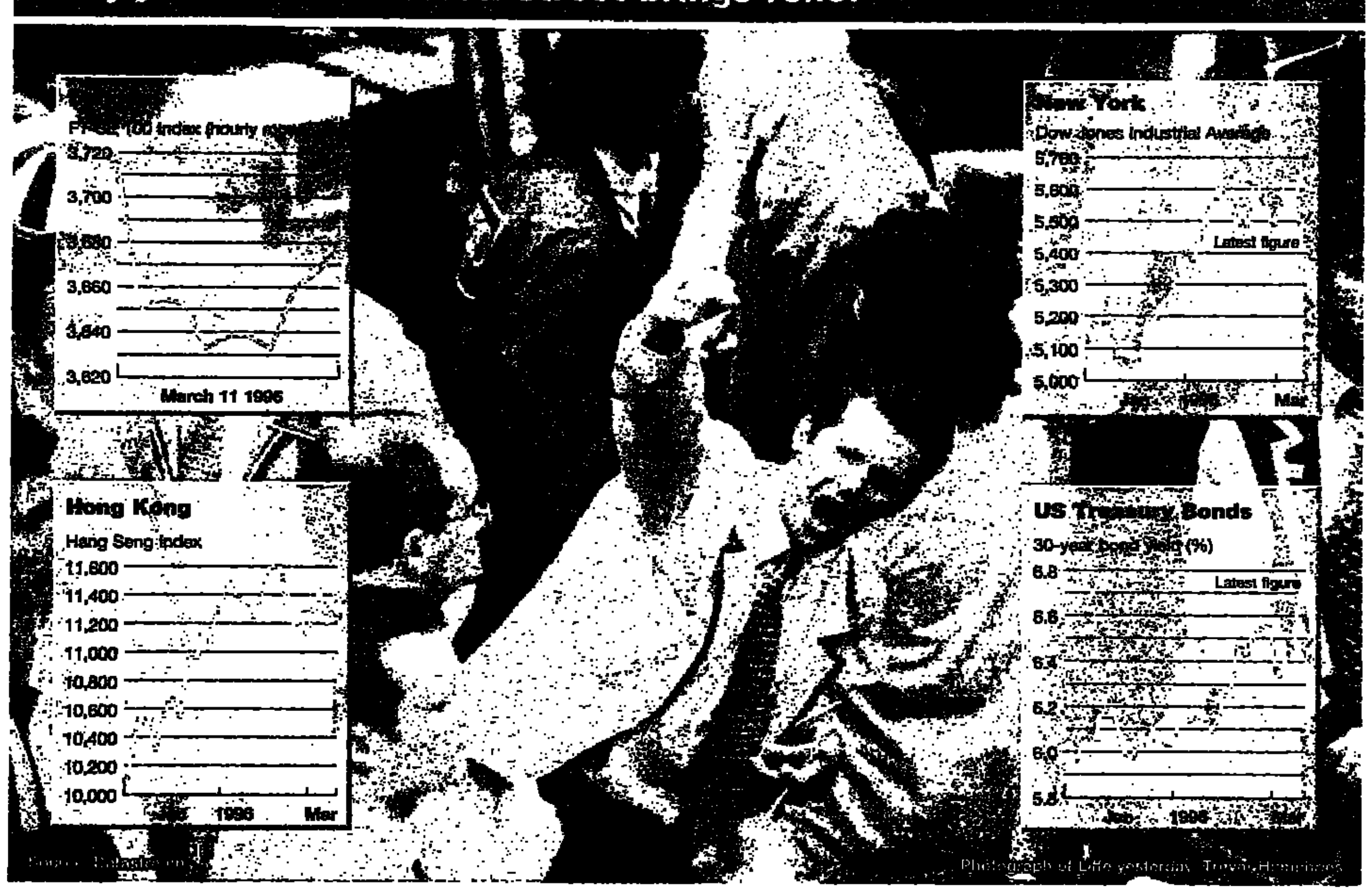
London's FT-SE 100 index was 81.2 points lower at one point, before rebounding to close 35.8 points down at 3,674.

In Frankfurt, the DAX was 1.2 per cent lower in after-hours trading, while in Paris, the CAC-40 index closed 1.3 per cent down.

Bond markets also stabilised. German government bonds ended slightly higher, having been three-quarters of a point lower at one stage. In London, the benchmark 10-year gilt dropped by a point but then rallied to close only an eighth of a point down.

Despite yesterday's rebound, some commentators were not convinced the US correction was over.

Early jitters but then Wall Street brings relief



Photograph of Liffe yesterday: Trevor Humphries

Reverse takeover of BT was option in C&W talks

By Hugo Dixon and Alan Cane in London

Cable and Wireless put forward an audacious plan to acquire British Telecommunications as part of merger talks between the two UK telecoms groups which broke down about 10 days ago.

The scheme, which would have involved C&W taking over a company with more than twice its market capitalisation, was proposed after BT suggested in November merging with C&W. Structuring the deal as a reverse takeover was designed to avoid the need for BT to buy out the minority shareholders in Hongkong Telecom, in which C&W holds a 57.5 per cent stake.

Under Hong Kong stock exchange rules, a bid for C&W would have triggered a bid for the rest of Hongkong Telecom as control of the company would have changed. That would have added another £6bn ($9bn) to the cost of the takeover, on top of the £10bn BT would have needed to pay for C&W – even without factoring in a takeover premium.

C&W's scheme involved issuing new shares to acquire BT. The combined group would then have geared itself up and paid out £4bn-£6bn in special dividends to shareholders. Sir Iain Vallance, BT's chairman, and Sir Peter Bonfield, BT's chief executive, would have become respectively chairman and chief executive of the new company. But because C&W would have technically been buying BT, there would have been no need to bid for Hongkong Telecom.

Another attraction of the plan was that it would have avoided the risk that foreign governments might cancel C&W's myriad licences as a result of a change in its ownership.

The talks eventually foundered mainly because the companies could not agree on valuation and

Continued on Page 22
Lex, Page 22; Let's call the whole thing off, Page 28

China warns US not to interfere over Taiwan

By Tony Walker in Beijing and Laura Tyson in Taipei

China warned the US yesterday to stay clear of its row with Taiwan, as Washington strengthened its naval presence in the area by deploying a taskforce including two aircraft carriers.

Mr Qian Qichen, foreign minister, described US criticism of China's military exercises in the Taiwan Strait as "reckless" and "erroneous". He blamed Washington for contributing to tensions.

"It is ridiculous for some people to call for interference in the issue and even more ridiculous for them to call for the protection of Taiwan," Mr Qian told reporters. "Those people have forgotten that Taiwan is a part of China and not a protectorate of the United States," he added.

Mr Qian's remarks coincided with the deployment of the USS Independence battle group, including six support vessels, in waters off Taiwan to monitor Chinese live-fire military exercises due to begin today in the Taiwan Strait. Defence officials in Washington said a second aircraft carrier, Nimitz, would sail from the Gulf to waters near Taiwan.

Mr William Perry, US defence secretary, said a second battle group was being deployed in waters off Taiwan as a "precautionary measure".

"We do not believe China plans to attack Taiwan. We do not expect military conflict there," he said. "The US is a west Pacific power. We have substantial military forces in the west Pacific and a substantial interest in maintaining stability in that part of the world."

China's launching of three M-9 intermediate range missiles into waters off Taiwan's main ports last Friday followed by this week's planned large-scale military exercise has prompted jitters across the region, and contributed to a slide in local stock markets. The exercises, involving air, land and sea units and some 150,000 men, are due to continue until March 20.

China regards Taiwan as a renegade province and has vowed not to rest until it is reunified with the mainland. Mr Lee Teng-hui, Taiwan's president and the front-runner in presidential elections on March 23, has been seeking to carve out a more independent role for the island.

This has included efforts to secure membership of the United Nations for Taiwan. Mr Qian yesterday called on Taiwan to drop that bid. "The United Nations is an organisation of sovereign states," Mr Qian said. "Taiwan is only a regional economy, it is part of Chinese territory. How can it be eligible for membership of the United Nations?"

Taiwan responded frostily to his suggestion that tension across the Taiwan strait would ease if Taipei jettisoned its campaign for a seat in the UN. "If they fire missiles [and we drop the UN bid] then they can ask for more," said Mr Rock Leng, Taiwan's foreign ministry spokesman.

President Lee rejected Mr Qian's assertion that Taiwan's first direct presidential elections were part of an attempt to gain independence.

Risky course, Page 8

UK risks damaging revolt over Europe

By Robert Peston in London

The UK government will today risk a damaging revolt by hardline Tory EU opponents by enthusiastically endorsing membership of the Union and rejecting many of their key demands.

The government sets out in a white paper its approach to the imminent intergovernmental conference on reforming the EU's institutions. It lists the benefits to the UK of EU membership and says that it should remain far more than a free trading area.

The UK's vision is that the EU's constitutional development should be restrained, so that it does not evolve into a federation, but that its institutions should be made to work more efficiently.

"Our view is that it should be an association of nations, working together," said a senior member of the government. "Obviously this is an idiosyncratic view within the EU but it is not a negative one."

However, this approach will alienate both the Tory Eurosceptics, who are arguing for a radical pruning of the EU's powers, and also governments of other member states, which believe the UK is blocking the institutional reform necessary for EU enlargement.

The UK will endorse the Franco-German concept of a "flexible EU" in which groups of EU members which want to move rapidly to forms of closer co-operation are not held back by opposition from other EU states.

However, the UK is likely to veto any extension of qualified majority voting in EU decision-making, in spite of the views of other EU members that enlarging the Union will be impossible without greater use of this.

The paper will also say there is no case for any increase in the powers of the European parliament, but the option will be left open of giving the parliament greater powers over the European Commission.

Eurosceptics will take comfort from those proposals, but will be severely disappointed by the UK's position on the sensitive issues of reforming the European Court of Justice and the Common Fisheries Policy.

In fishing, the UK will suggest at the IGC that an EU treaty amendment may be necessary to exempt national fishing quotas from EU anti-protectionist measures. "That is not nearly good enough," said a Tory sceptic. "We want the fisheries policy scrapped altogether."

On the European Court of Justice, the UK wants an appeals mechanism incorporated in the

Continued on Page 22
Tories wary of referendum party's support, Page 9

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LONDON · LEEDS · PARIS · FRANKFURT · STOCKHOLM · MADRID · NEW YORK · LOS ANGELES · TOKYO

Deutsche Telekom wins price fight

By Michael Lindemann in Bonn

Deutsche Telekom, the German telecoms group which is to be privatised this year, yesterday won government approval for large discounts to corporate customers.

In return for the go-ahead, fiercely opposed by private-sector competitors, the state company has agreed to spend at least DM10bn ($6.7bn) to complete the digitalisation of the country's telecoms network by the end of next year.

Controversy about the discounts, which the government says will reduce the biggest corporate phone bills by up to 39 per cent, has raged for almost three months.

In an attempt to block them, VTM, a group of private German telecoms operators, including such companies as Veba, RWE and Mannesmann, complained to the European Commission. They argued that the discounts would put their own fledgling operations out of business.

Germany's telecoms regulatory council had refused to allow the proposals to go ahead until Deutsche Telekom came up with benefits for residential customers.

Mr Wolfgang Bötsch, post and telecoms minister, said yesterday he had given the go-ahead after Deutsche Telekom said it would introduce two new tariffs at the end of this year offering discounts for frequent callers. However, these can only be given to customers with a digital phone line, which will be available to only about 80 per cent of residential clients by the end of this year.

VTM said Brussels still had power to block the discounts and hoped it would do so. The group said preliminary contracts signed by Deutsche Telekom in the expectation that the corporate discounts would be approved, had already led to "significant setbacks" for new operators.

The opposition Social Democrats accused Mr Bötsch of being "dilatory" because he had been unable to produce figures to counter VTM's claims that the corporate discounts would distort competition among German operators.

Deutsche Telekom said corporate clients could get discounts of up to 35 per cent on their phone bills. The ministry said customers with phone bills exceeding DM65,000 per month could get a discount of up to 39 per cent.

Mr Ron Sommer, Deutsche Telekom's chief executive, was yesterday unable to say how much the frequent-caller discounts for private clients would cost his company.

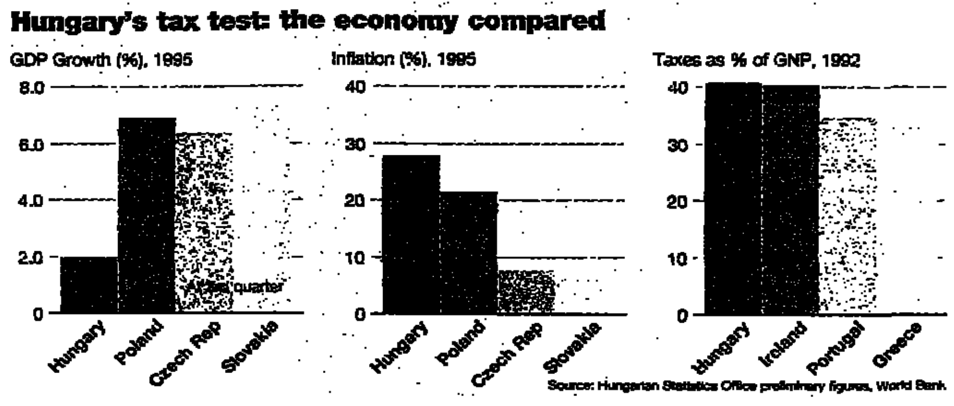
"There is a worst-case scenario in which there will be just rebates and no higher sales," he told journalists. "But we hope that the pleasure of using the phone will be increased by these discounts."

The extra money which Deutsche Telekom will have to spend on digitalisation comes on top of debts which last year totalled DM125bn. However, Mr Sommer declined to say what effect the extra expenditure might have on the stock exchange listing, due to be completed in November.

Hungarian monster strains at leash

Government is struggling to rein in the country's bloated welfare state, writes Virginia Marsh

Hungary's tax test: the economy compared



Source: Hungarian Statistics Office preliminary figures, World Bank

Hungary's parliament is today due to vote on a much delayed 1996 budget for its troubled social security system, after much prodding from international institutions and an International Monetary Fund threat to withhold an important loan agreement.

However, overhauling the country's bloated welfare state has already caused the resignation of several ministers in the past year. Mr Peter Medgyessy, sworn in as finance minister last week, takes office just as the country is enmeshed in a fresh row caused by his predecessor's radical reform plans.

Parliament must approve this year's social security budget before the IMF board meets on Friday to decide on a critical stand-by loan.

The IMF has linked the loan to approval of a tight Ft 17.8bn ($125m) deficit for the two heavily indebted funds which run the national health and pension systems. The Organisation for Economic Co-operation and Development, membership of which Budapest sees as an important step towards joining the European Union, has said it will admit Hungary this year if the loan goes ahead.

Unfortunately for Mr Medgyessy, however, welfare reform does not end with this year's budgets. A radical overhaul of Hungary's social security system – one of the world's most extensive welfare states – is seen as the key to improving the country's sluggish economic performance and ensuring long-term growth.

While Hungary's gross domestic product per capita is less than a fifth of the OECD average, the share of GDP it spends on welfare is about 1.4 times higher.

Yet, according to the World Bank, the system fails to provide adequate social protection or healthcare. By the early 1990s, a Hungarian man aged 45, for example, could expect to live nearly six years less than his Austrian counterpart, a statistic the bank describes as "scandalous".

At the same time, welfare's share of government spending has shot up in the past decade from 39 per cent to more than 55 per cent.

A combination of high state debt (the largest per capita in the region), high interest rates and inflation, and high taxes have depressed economic growth despite the country's impressive privatisation record and lead in attracting investment. GDP rose an estimated 2 per cent last year, well below the 5-7 per cent in Poland and the Czech Republic.

Ironically, Hungary is now paying the price for embarking on reform ahead of its neighbours. Emulating the "social market economies" of such countries as Sweden, the reform communist governments of the 1980s (in which Mr Medgyessy played a leading role) devised a western-style tax regime and an elaborate welfare system, designed in part to compensate the population for the recession which was beginning to blight the economy.

With the collapse of communism in late 1989, attention shifted to building democracy and to reforming the productive sectors. Welfare and the social sector were left virtually untouched until the austerity programme drawn up last year by Mr Lajos Bokros, Mr Medgyessy's predecessor.

The so-called "Bokros package" rationalised maternity and family payments and, for the first time, introduced fees for higher education and some medical treatment. Contributing to a 12 per cent cut in average real incomes last year, it was strongly opposed in a country where three out of four households received some form of welfare benefit.

For Mr Bokros, however, last year's cuts – part of a package of emergency measures to prevent further rises in Hungary's debt and swelling trade and current deficits – were only the beginning. This year he had intended to streamline the civil service, rationalise public finances further and, above all, to tackle pension and health reform.

He resigned after the cabinet agreed to lift the retirement age to 62, up from 55 for women and 60 for men, but failed to support changes to this year's social security budget. He leaves Mr Medgyessy, a former career civil servant, with the difficult task of continuing unpopular reforms and mending severely strained relations with the powerful pension and health funds.

With characteristic bluntness, Mr Bokros accused the funds of managing public money "irresponsibly and wastefully" and was determined that they should be more accountable to central government.

Around a third of annual state spending is channelled through the two funds – they plan to spend Ft 975bn this year – yet they are semi-independent and subordinate only to parliament. Central government has no direct control over them but must finance any deficit they incur. This has amounted to more than Ft 200bn since 1990. Not surprisingly, such a system has greatly complicated reform. In a recent report* the OECD commented: "No counterpart to [the pension fund] with similar authority exists in any OECD country."

Mr Bokros's resignation has prompted a flurry of activity, with fund officials, the unions and the government scrambling to find a compromise to plug a social security deficit which could otherwise reach Ft 55bn this year. Analysts are divided as to whether Mr Medgyessy can maintain the momentum and persuade the funds and the Socialist party to accept longer-term reforms. However, all agree time is short. They believe the government has just this year to move ahead with welfare changes, before the Socialists turn their attention to winning the 1998 elections.

* *Social and Labour Market Policies in Hungary, 1995, available from OECD, 2 rue Andre-Pascal 75775 Paris.*

Parties to leave Berlusconi alliance

By Robert Graham in Rome

Two small Italian political parties are leaving the right-wing alliance headed by former premier Silvio Berlusconi to fight the April 21 general elections on their own.

The split, announced yesterday, was prompted by increasingly sharp disagreements on policy within the alliance, coupled with fears that the two parties were being marginalised in the choice of alliance-backed candidates.

Many within the Berlusconi camp view the decision by the Christian Democratic Centre (CCD) led by Mr Pierfernando Casini and the Christian Democrat Union (CDU) of Mr Rocco Buttiglione as a means of putting pressure on the other groups in the alliance to allot them more seats.

Lists of candidates and their alliances do not have to be deposited with the interior ministry for another week.

But if the break is genuine, it will alter the ideological complexion of Mr Berlusconi's alliance.

Without the CCD and the CDU, it will be pulled much further to the right. The two small parties represent the right wing of the long-ruling Christian Democratic party, which broke up before the 1994 general elections.

The CCD and CDU have been upset by Mr Berlusconi's willingness to give a prominent role in his electoral platform to two politicians, Mr Vittorio Sgarbi, polemicist and television personality, and Mr Marco Pannella, founder of the Radicals. Both have advocated easing drugs laws and have a liberal attitude to abortion.

Another bone of contention has been the way in which Mr Gianfranco Fini's rightwing National Alliance has sought to dominate the candidates' lists in southern Italy.

The CCD and CDU are adopting a high-risk strategy in deciding to run alone, both in the 75 per cent of parliamentary seats elected under the first-past-the-post system and the 25 per cent using proportional representation.

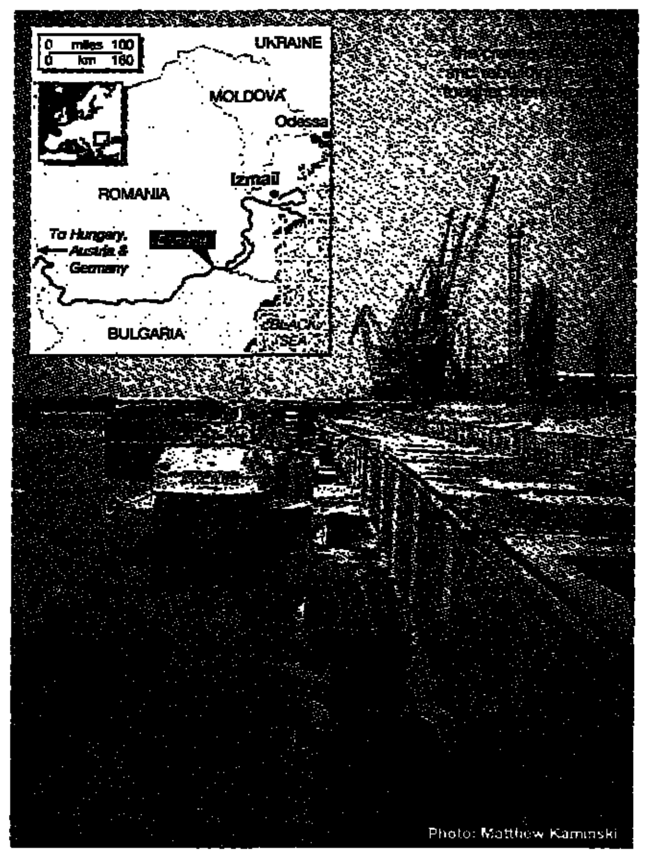
On their own they have no realistic chance of success in the first-past-the-post seats. They must poll 4 per cent of the national vote to gain any of the seats allocated under proportional representation. Opinion polls give them 4.1.

In contrast, the small centre parties identified with the left have preferred to stay under the umbrella of the centre-left "Olive Tree" alliance to fight those seats elected by first-past-the-post. They are seeking to preserve their identity – and increase their bargaining power in the formation of a government – by contesting on their own the 25 per cent allocated via proportional representation.

Thus, the Italian Renewal party of Mr Lamberto Dini, the prime minister, will be on its own in contesting the proportional part. Mr Dini deliberately rejected forming an alliance with other centrist groupings including the bulk of the former Christian Democrats in the Popular party and with Mr Romano Prodi, the Bologna economics professor who is the formal leader of the centre-left alliance.

Matthew Kaminski reports on a port which only just survived a Balkan storm

Gateway to east and west hopes for peace dividend



The cranes are standing idle in the Danube port of Izmail, the Bessarabian river delta town of low, whitewashed houses – built by the Romanians, immortalised by Pushkin and annexed by Stalin after the second world war.

During the five years of war in the former Yugoslavia, United Nations economic sanctions against Belgrade virtually stopped traffic on the Danube.

A series of UN checkpoints were set up to halt the smuggling of strategic supplies to Serbia and turned traders off using the waterway.

Izmail's two biggest employers, the port and the shipping company, lost business and workers. With the trade embargo lifted after November's Dayton accord, many expect a turnaround this year.

Before 1991, Soviet Ukraine carried on a lively metals and grain trade with Yugoslavia, but the war took a bigger toll on the port's role as a transit centre for cargoes from the Black Sea up the Danube to Hungary, Austria and Germany – Italian Adriatic ports also benefited.

Mr Oleksandr Tehov, managing director of the Ukrainian Danube Shipping Company, claims UN sanctions against former Yugoslavia cost Ukraine an estimated $4bn-$5bn. The shipping company, which used to account for a sixth of Izmail's tax revenues, lost $450m because of the sanctions, Mr Tehov said. The 1,000-ship river fleet last year lost almost $2m and contributed nothing to the city budget.

Mr Oleg Georgiev, deputy director at the port, said: "Over the past five years, we have lost clients across western Europe. Other suppliers replaced Ukrainian steel and raw materials. To get this business back will be a long, hard fight."

The port has also lost many of its experienced riverboat crews and dock workers. Mrs Tonya Kovalenko said her husband, formerly an engineer with the Danube river fleet, had left Izmail to take a job in Iran at a wage of $2,000 a month, roughly 40 times the average wage in Ukraine.

The infrastructure also suffered as cargo handled at Izmail's port fell from 10m tonnes in 1989 to 4m tonnes last year the docks and their 70 cranes received little maintenance.

Ukraine's faltering economy could not provide enough substitute business to underwrite renovation, not to mention new investment. Some transit trade between Russia and the Middle East kept the port open. But today Izmail lacks even the funds to buy oil or gas to heat homes or keep electricity on at night; port officials schedule all their business meetings before dark.

The war in former Yugoslavia was not the only reason for Izmail's troubles. In the 1990s, Comecon, the Soviet satellite trading bloc, disappeared and many of Ukraine's old partners reoriented themselves westwards.

Mr Alexander Shaposhnikov, director of joint ventures at the Danube Shipping Company, argues that business can return to pre-embargo levels by the end of the decade. The company's cargo turnover should increase up to 40 per cent this year, he says, "simply because the lifting of the embargo makes it possible for our ships to go up the river. Demand for exports will increase because there'll be a lot of new investment coming into Yugoslavia".

Ukraine's foreign minister visited Belgrade in January and claimed bilateral trade could jump from $3m to $2bn in one year. Izmail's mayor, Mr Yuri Marchuk, speaks of a possible free-trade zone, the pet project of many regional leaders in Ukraine, and closer economic co-operation with Romanian cities, just across the Danube, as two concrete measures intended to put his town back on the map.

Ukraine also remains the best southern gateway to Russia, adds Mr Boris Levitsky at Const, a freight forwarding business set up with Egyptian and Soviet capital in 1990 that managed to grow because of lorry container traffic to Russia.

He says Serbian furniture and grain exports took off over the winter months and forecast that Russian demand would rise as its economy recovered. "The growth, I think, will be dynamic."

Tax affair hits Commerzbank's shares

By Andrew Fisher in Frankfurt

Shares in Commerzbank fell sharply yesterday in the wake of the German bank's admission that it had paid too little in taxes since the mid-1980s – though it said the sum involved was small.

The arrears, mainly covering 1984-88, totalled only around DM10m ($6.7m) compared with DM4.7bn of taxes paid by the bank in the 10 years to 1994, it said. A report in Der Spiegel magazine on the tax under-payment had been "incorrect in various key points" and had given a "misleading impression".

The arrears centre on the tax treatment of risk provisions for loans to foreign countries and also reflect "frequent changes" in tax rates in recent years.

The bank's shares closed 3.6 per cent lower at DM326.80, a steeper fall than the overall market; the Dax index of blue chip shares was down 2.5 per cent at 2,407.79 points.

Some analysts said that although the tax sum involved was small, Commerzbank's image had been hit by the publicity, as well as by its involvement in corporate problem areas. These include Fokker, the Dutch aerospace company, and Bremer Vulkan, the ailing German shipbuilding group. The bank is the main lender to Bremer Vulkan and managed bond issues for Fokker, for which Daimler-Benz, its main shareholder, has now ended financial support.

In addition, Commerzbank has been the focus of a probe by tax authorities trying to find out whether bank officials helped clients transfer funds to Luxembourg to evade German taxes. More than 200 tax officials raided its Frankfurt headquarters and three branches late last month.

The bank denies any wrongdoing, stating that it had not advised clients to put funds in Luxembourg or elsewhere to escape withholding taxes on investment income.

Other German and foreign banks have also been investigated by tax authorities seeking information on accounts in Luxembourg subsidiaries. The latest is Trinkaus & Burkhardt (owned by Midland Bank of the UK, part of HSBC Holdings), which confirmed that tax officials had visited its Düsseldorf headquarters.

Also under investigation are Dresdner Bank, Hypo Capital Management (owned by Bayerische Hypotheken- und Wechsel-Bank) and Merrill Lynch of the US.

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EUROPEAN NEWS DIGEST

Russia criticises its Grozny force

Mr Anatoly Kulikov, the Russian interior minister, yesterday criticised the performance of his troops during battles with separatist fighters in the Chechen capital, Grozny.

Mr Kulikov, meeting with commanders and members of the Russian-installed local government in Chechnya yesterday, "was extremely dissatisfied with the performance of the interior ministry, army and local militia troops in repulsing the attack", said an official at the meeting.

He also discussed the failure of intelligence sources to give warning of the surprise raid by the separatists that began last Wednesday and ended on Sunday, causing heavy losses among Russian troops. Mr Kulikov promised to give more support to the locally installed police force.

Most security in Grozny is provided by heavily armed Russian interior ministry soldiers who patrol in armoured troop carriers and man bunkers at all strategic points.

There were several reports during the fighting of instances of members of the local police helping their fellow Chechens in the separatist army who infiltrated Grozny and wiped out Russian posts throughout the southern half of the city within hours. *AFP, Moscow*

Bonn's military image offensive

The German Defence Ministry yesterday made public some measures to improve the image of military service among young men of conscription age.

The ministry will increase advertising for the military in youth magazines and reduce red tape in procedures for calling up recruits. Basic medical training will also be given to every recruit and there will be offers of foreign language courses and further education to help soldiers find work once they return to civilian life. The measures are aimed at reversing a rise in the number of conscientious objectors among men called up for military service. Last year the number of conscientious objectors in Germany rose to a record 160,000.

"We have to get used to the fact that young people of draft age have to be attracted and won over for service in the armed forces," said Mr Volker Rühe, the defense minister.

Mr Rühe said many young Germans preferred conscientious objector status and its alternative civilian service in hospitals or old-age homes for pragmatic reasons that have nothing to do with legal or moral questions.

"Military service is judged less favourably than civilian service because of the time burden, the special features of military life away from a familiar environment and because of the financial compensation," Mr Rühe said. Germany this year reduced compulsory military service from 12 months to 10 months and increased soldiers' pay. *Reuter, Bonn*

Russia hints at Nato compromise

Mr Yevgeny Primakov, Russia's foreign minister, yesterday hinted that a compromise solution over Nato's expansion plans might be acceptable to Moscow, as long as the military balance of power in Europe remained stable.

Mr Primakov said Moscow's hostility towards Nato's plans to embrace new members in central and eastern Europe was unchanged in principle. But he appeared to suggest Russia would not react to central European states joining the formal structures of Nato, provided integrated military units did not move closer to its borders. Mr Primakov's comments came after a meeting in Moscow with Mr Laszlo Kovacs, Hungary's foreign minister. Mr Kovacs confirmed Hungary's intention to join Nato irrespective of Moscow's objections.

Western diplomats have suggested Mr Primakov, who has a reputation as a foreign policy hawk, may be in a stronger position to compromise over Nato expansion than his luckless liberal predecessor, Mr Andrei Kozyrev. Mr Primakov, who previously headed Russia's foreign intelligence service, appears to be trusted by the Communist-dominated Russian parliament. *John Thornhill, Moscow*

Crimean ultimatum for Ukraine

The parliament on the Crimean peninsula, Ukraine's troubled autonomous region, yesterday gave the Kiev government an ultimatum to resolve a constitutional dispute or face a potentially destabilising referendum.

Led by deputies who want Crimea back in Russia, the chamber demanded the Ukrainian parliament approve the peninsula's new constitution by April. If not, Crimea proposed to put the document to a popular vote. Deputies also want Kiev to reaffirm Crimea's autonomy in the draft Ukrainian constitution – in which deputies removed any reference to "autonomy" and called the peninsula's constitution a "charter". The Crimean parliament, viewing this as a threat to local self-government, only narrowly voted down a proposal to hold a vote on the peninsula's independence.

Kiev officials yesterday brushed aside the Crimean threat, saying the parliament did not have the right to call a referendum. "No one has cancelled Crimea's autonomy," said Mr Volodymyr Butkevich, chairman of Ukraine's constitutional commission. *Matthew Kaminski, Moscow*

Bucharest metro strike goes on

A dispute which has closed the Bucharest metro for the past eight days worsened last night when the Romanian government threatened to sack all workers who failed to return to work immediately.

Earlier, union officials said more than half of the underground's 6,200 workers had already signed letters of resignation after similar threats from management. The strike, which has affected 700,000 metro users, has severely disrupted traffic in the snow-bound city. Union leaders called off the strike last Wednesday before court rulings declared the action illegal and banned it for 75 days.

However, hundreds of workers continued a wildcat protest, occupying stations and blocking tunnels. The strike began last Monday after workers failed to secure a 48-per cent pay rise for the first half of this year. *Virginia Marsh, Budapest*

Poll censure for Chirac's party

France's opposition Socialist party appears well-placed to win another seat from the ruling Gaullist coalition of President Jacques Chirac in a by-election run-off next Sunday in the south-eastern town of Brignoles.

In the first round of the poll to replace Mr Hubert Falco, the centre-right deputy in the National Assembly elected to the Senate last September, none of the eight candidates obtained an absolute majority. The run-off will be between the top two candidates, official conservative candidate, Ms Josette Pons, and the socialist, Mr Maurice Janetti.

Ms Pons came top of the poll with 22.92 per cent of the vote with Mr Janetti close on her heels with 20.43 per cent, compared with 13.75 per cent in the legislative elections of 1993. There was also a surge in support for the Communist candidate, Mr Guy Guigou, who scored 19.12 per cent.

Since Mr Chirac was elected last May, his ruling conservative coalition has lost seven seats in the national assembly, where it has an overwhelming majority of 463 seats out of the total of 577. *AFP, Brignoles*

French consumer prices edge up

France's consumer price index in February provisionally rose 0.4 per cent from the previous month, and 2 per cent from a year earlier, the national statistics institute said yesterday.

Excluding energy prices, which rose 0.7 per cent from January, inflation still rose 0.4 per cent from January and 1.9 per cent from a year earlier.

The prices of manufactured products rose 0.5 per cent from the previous month due to the 1.5 per cent increase in clothing and shoe prices. Services sector prices rose 0.2 per cent, and 3.2 per cent year-on-year. *AP, Paris*

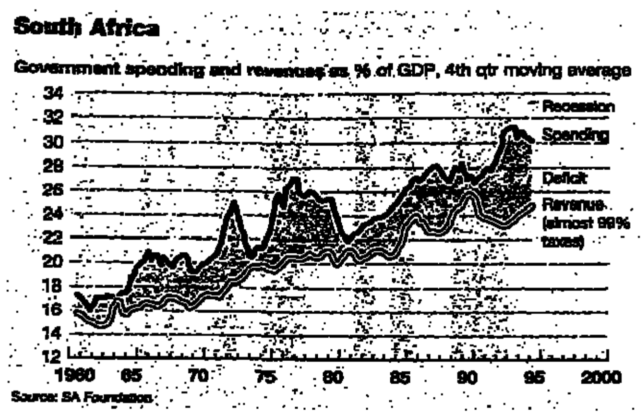
- Spanish producer prices rose 0.9 per cent in January from December, and were up 3.7 per cent year-on-year.
- New car registrations in Italy rose 2.97 per cent in February from a year earlier to 158,000 units.

S Africa's economic rift widens

Government must perform hard juggling act in tomorrow's budget, says Roger Matthews

Sharp divisions over economic strategy are developing between big business and the government in South Africa, encouraged by the recent pressure on the rand and arguments over the budget due to be delivered tomorrow.

Both sides agree on the need to achieve a sustained annual growth rate of at least 6 per cent to reduce 33 per cent unemployment and alleviate poverty. But after two years of wary peace, the attempt to build a policy consensus is fast evaporating.



South Africa's 50 biggest companies, grouped under the banner of the South Africa Foundation, threw down the gauntlet 10 days ago with the publication of a document proposing precise policies for faster growth.

These included swift action to cut the budget deficit, the rapid dismantling of foreign exchange controls, a vigorous privatisation programme and more flexible labour policies.

At the weekend, the proposals were roundly criticised by Mr Tito Mboweni, labour minister, as "a recipe for disaster" which would "push the country backwards".

"The document they have delivered is a request from big business to do something for them, but nothing for the poor," he said. "In fact it increases the burden on the poor. What kind of political system could accommodate the proposals they make?"

Mr Chris Stals, governor of the Reserve Bank, has ruled out any move to scrap exchange controls in the budget, and remains committed to a phased relaxation. He said in an interview that the recent volatility of the rand, which in two days last month lost more than 7 per cent of its value against the dollar, was to be expected and provided justification for his caution.

Mr Stals has sympathy for the political juggling act which Mr Chris Liebenberg, the finance minister, must perform in drawing up a budget which produces a significant cut in the fiscal deficit, currently 6 per cent of gross domestic product.

Big business says the minister's target of reducing the deficit to 4.5 per cent by 1999 is too modest, and is seen by potential foreign investors as evidence of policy failure. The South Africa Foundation paper wants to see it slashed by 1.5 per cent of gross domestic product a year until it reaches 2 per cent.

The Reserve Bank governor also has sympathy for that approach. "Capital spending by government is less than 3 per cent of GDP, so everything it has to borrow above 3 per cent of GDP is negative spending. It is borrowing to finance current expenditure," he said.

"I would also like to see more done to encourage personal savings, which have been falling for five or six years, mainly as a result of taxation which has not been adjusted to take account of inflation."

But it is precisely the savings industry that – for reasons of political expediency – Mr Liebenberg is expected to target to raise extra revenue in the budget. Initially he is known to have favoured a 1 percentage point increase in the rate of value added tax to 15 per cent. This was strongly supported by the business lobby.

It is no less strongly opposed by the Congress of South African Trade Unions (Cosatu) which is aligned to the African National Congress. Until the middle of last week, Mr Sam Shilowa, the general secretary of Cosatu, and Mr Alec Erwin, deputy finance minister and former union official, were still arguing the relative merits of a VAT increase, or the alternative of a one-off 1 per cent levy on the investment income of pension and provident funds.

Leading businessmen insist that "one-off" taxes should be strenuously avoided because they create uncertainty and are detrimental to investor confidence. A tax on pension funds would also hit the very industry that the government needs to encourage.

Instead, big business suggests the government should commit itself to cutting spending on staff by reducing civil service levels by 100,000 over the next five years, and by not increasing real spending on items such as education, health and housing which, it said, were already high by international standards.

In his retort, Mr Mboweni criticised the call for faster privatisation, describing it as a plan to "sell the family silver". He dismissed as "ridiculous" their proposal for a "second tier" labour market, designed to free employers from strict new labour laws in order to create new jobs more cheaply. It would "mark the return of institutionalising black workers once more in a cheap labour system", he said.

At least the debate, which had been muted, is now in the open and audible to international markets.

For the second time in his brief career as finance minister, Mr Liebenberg must tomorrow attempt to reassure the strong South African trade union movement without alarming the business community. "It is a very difficult political exercise for a minister of finance to satisfy everyone," said Mr Stals, a central banker who enjoys understatements.

Arab radicals step up summit attacks

By Julian Ozanne in Jerusalem

Arab governments and radical groups yesterday stepped up their criticism of tomorrow's "Summit of Peacemakers" in Egypt, saying the conference would mask Israeli aggression and polarise the Middle East.

The criticism reflects a belief among many Arabs that the summit, co-chaired by US President Bill Clinton and Mr Hosni Mubarak, the Egyptian president, will ignore Israel's continued occupation of Arab lands in contravention of United Nations resolutions and marginalise Islamist groups that have genuine popular support.

Almost 20 heads of state or government plan to attend the summit aimed at combating terrorism and saving the Middle East peace process in the wake of Islamist suicide bombings in Israel.

Syria, a key regional player, yesterday accused Israel of daily repression in the occupied territory and scorned an Israeli call for Damascus to close the offices of radial Palestinian groups.

"It is strange that Israel drops tonnes of bombs on innocent civilians in south Lebanon and practices daily repression in the occupied territories without anyone reacting to her," said the official Syrian Tishreen newspaper.

"It is clear that Israeli leaders are forging facts and events in an uncovered game... Occupation in their view became self-defence and resistance to occupation became terrorism."

Lebanon said yesterday it would boycott the summit and called on world leaders to force Israel to implement UN Security resolution 425 which calls on Israel to withdraw from Lebanese land. Over the weekend, Mr Mohsen Dahloul, Lebanon's minister of defence, said the summit was doomed to fail as it only aimed to please Israel. "The summit is... weird and bizzare," he said. "Is he who carries a rifle to liberate his land a terrorist like they claim? While he who occupies the land is opposed to terrorism."

Radical Palestinian groups also attacked the conference. "Resistance of occupation with all ways and means is a right which is ensured by international law," said Mr Maher a-Taher, of the Damascus-based Popular Front for the Liberation of Palestine.

Arab diplomats said there was a danger that Islamist movements with large domestic support bases and genuine grievances against undemocratic governments and monarchies would be marginalised by the summit. They said such groups in Egypt, Bahrain, Saudi Arabia and Jordan, which were deeply rooted spiritual, social and political movements, feared they were going to become the victims of a muddled western drive against terrorism and a growing stereotype that grouped all Islamists together as pariahs.

Fears have also been raised that the summit might exacerbate polarisation between those governments willing to join a western-Israeli alliance and those left outside like Syria, Lebanon, Iraq, Iran and Libya.

Jordan, seeking to defuse Islamist criticism of its participation at the summit, said yesterday it was attending the meeting to shore up Middle East peace. "We are not going there to point the finger of accusation at anyone," said Mr Marwan Muasher, information minister. "We are going there, without shame and fear, to support the peace process."

Warning signals ignored in Rwanda

By Bruce Clark in London

The world failed to read clear warning signals of an impending genocide in Rwanda in 1994, and a similar catastrophe could be brewing in neighbouring Burundi, according to a year-long study of the region issued yesterday.

"A crisis in Burundi of the proportions of the Rwanda crisis could constitute an immense calamity for the Great Lakes region, Africa and the world," said the report, commissioned in December 1994 by a committee of UN and non-governmental agencies, plus 19 donor nations.

The study urged Mr Boutros Boutros Ghali, the UN secretary general, to act on the lessons of Rwanda and avert disaster in Burundi.

These steps should include: support for mediation efforts by the Organisation of African Unity; creating an "effective human rights machinery" whose tasks would include "vigilance over threatened genocide"; helping to create an effective system of justice so as to "break the vicious cycle of impunity"; and pressure on those inciting violence.

Analysing the failure to avert the deaths of up to 1m Rwandans in 1994, the study said "there were increasing warning signals" from experts on the region, and specialised UN agencies, from early 1993.

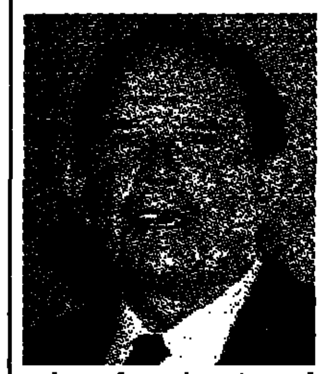
However, "the UN Secretariat and Security Council did not recognise these," said the report, which called for a unit charged with early warning of conflicts to be placed under the direct authority of the UN secretary general.

The report describes as "fateful" the UN Security Council's decision in April 1994 to withdraw most of its peacekeeping force, and says a "case can be made" that thousands of people would have been saved if the force had instead been expanded.

The International Response to Conflict and Genocide: Lessons from the Rwanda Experience. Available from Danish Ministry of Foreign Affairs.

INTERNATIONAL NEWS DIGEST

Malan pleads 'not guilty'



Former defence minister Magnus Malan (left), once South Africa's most powerful military general, yesterday pleaded not guilty to 13 charges of murder in a packed Supreme Court room. Nineteen co-defendants, including 10 apartheid-era senior military officers and six members of an alleged Zulu nationalist Inkatha Freedom Party (IFP) hit-squad, also entered pleas of not guilty. All 20 accused also pleaded innocent to four counts of attempted murder and one of conspiracy to murder political opponents in the 1980s of the then apartheid government.

The charges relate to a 1987 massacre of 13 people, mostly women and children, in KwaMakhutha black township south of Durban. Opening the state's case, Mr Tim McNally, KwaZulu-Natal attorney-general, said the prosecution "will cast a shaft of judicial light into a corner of our history which hitherto has been dark and secret."

The case is being viewed as a trial of the apartheid-era military machine and its alleged involvement in political violence, which has seen more than 14,000 people killed in KwaZulu-Natal in the past decade. *AFP, Durban*

Iraq blocks UN inspectors

Iraq yesterday prevented United Nations inspectors monitoring its heavy weapons arsenals from visiting a site in Baghdad.

The confrontation, the second such incident in less than a week, was taken up by UN Security Council members in discussions that were expected to be followed with a statement calling on Iraq to comply with UN resolutions.

A key part of the Gulf War ceasefire agreement was the Council's call for the dismantling of Iraqi weapons of mass destruction, a process that has been repeatedly hobbled by President Saddam Hussein.

Meanwhile, the second round of negotiations on the proposed sale of up to $2bn worth of Iraqi oil to buy food and medicines opened between UN and Iraqi negotiators in New York. Mr Abdul Amir al-Anbari, the Iraqi envoy, said he hoped practical arrangements could be completed within 10 days. *Michael Littlejohns, UN Correspondent, New York*

Minister attacks Abacha's aides

General Sani Abacha, the Nigerian leader, seems out of touch with reality because aides are misinforming him, a British minister said yesterday. Baroness Chalker, the overseas development minister, said she was "deeply concerned" by the apparent failure of a barrage of protests and retaliatory measures to get through to Gen Abacha.

"He is only being told what certain people around him would wish him to know," said the minister, who urged the US to match the sanctions against Nigeria which have been imposed by the European Union.

In a Commonwealth Day news conference, the British minister praised the economic liberalisation programme of Kenya and the efforts of President Daniel arap Moi – who once likened her to a "kindergarten headmistress" – to reduce corruption. *Bruce Clark, London*

GM hit by Dayton brake factory strike

By Tony Jackson in New York

A strike at General Motors' brake plant at Dayton, Ohio, has shut down 12 of its 29 North American assembly plants, affecting 40,000 workers. The number of plants hit will rise sharply if the strike continues, since the Dayton plant supplies 90 per cent of GM's brake components.

The company said yesterday no talks with the union were scheduled.

The strike, potentially one of the most serious at GM for several years, began last Tuesday. The dispute concerns outsourcing, under which GM seeks to increase the number of parts it buys from outside suppliers. The company is unusual in the industry in its reliance on its own components. Ford, for example, buys all its components outside.

GM claims some of its component operations are uncompetitive and insufficiently productive. In 1994, an attempt to buy brake parts outside provoked a three-day strike at the Dayton plant, which was settled by GM undertaking to expand the plant.

The union now claims the promised expansion, involving extra jobs, has not taken place. The company said additional conditions on productivity had not been met.

The assembly plants affected produce a wide range of GM vehicles, from Cadillac, Chevrolet and Oldsmobile cars to pick-up trucks. GM had already warned that US vehicle production in the first quarter would be lower than last year.

The striking workers, under 3,000 in number, are in an unusually powerful position because the Dayton plant supplies virtually all GM's North American operations. Some of the closed plants, such as those in Lansing, Michigan and Oshawa, Ontario, employ over 6,000 workers each.

GM is due to sign the latest version of its international agreement with its workforce later this year. Analysts have speculated that the company may be willing to tolerate a prolonged strike as a show of muscle. The slowdown in car sales this year also means the company has a backlog of inventory to clear.

Dole rivals bicker as Super Tuesday looms

By Jurek Martin in Washington

Senator Bob Dole, the majority leader, was yesterday looking forward to today's Super Tuesday round of primaries amid increasing signs of disarray in the campaigns of both his remaining rivals for the Republican party's presidential nomination.

This was most evident in the sudden rift between Mr Steve Forbes, the magazine publisher, and his most prominent supporter, Mr Jack Kemp, the former housing secretary and congressman from New York.

In Florida yesterday, Mr Forbes dismissed as "totally out of bounds" comments by Mr Kemp on Sunday, in which he offered to try to negotiate a deal in which the publisher would endorse Mr Dole if the majority leader committed himself to radical overhaul of the tax system, the main plank in Mr Forbes's campaign.

Mr Kemp, who only last Wednesday threw his support behind Mr Forbes, a close friend of many years, abruptly left Florida yesterday after the candidate had "100 per cent totally repudiated" his initiative.

Mr Pat Buchanan, the conservative commentator, was in Oklahoma admitting he was likely to have "a rough day" in this next round of primaries, but rejecting all suggestions that he too, should accept the inevitability of Mr Dole's nomination.

He warned that his supporters would revolt at the party convention in San Diego in August if Mr Dole chose retired General Colin Powell as his vice presidential running mate.

Senator Al D'Amato of New York commended Gen Powell for this role yesterday, but Mr Buchanan said the views on abortion of the former head of the joint chiefs of staff rendered him unacceptable to the "muscular" Christians who constitute his own largest base of support.

The Dole campaign is beginning to consider what to do about Mr Buchanan in San Diego. A senior adviser to President George Bush, faced with a similar dilemma four years ago, has conceded it was probably a mistake to allow Mr Buchanan to say what he wanted to at the party's Houston convention in return for his endorsement of Mr Bush. His "religious and cultural wars" address did Mr Bush's re-election effort no good.

At stake today are 362 convention delegates in seven states, including a further nine in Louisiana, whose party caucuses early last month started the Buchanan bandwagon on its brief roll.

Texas leads the way with 123 delegates, followed by Florida (98), Tennessee and Oklahoma (38 each), Mississippi (33) and Oregon (23). Mr Dole already assured of 392 of the 996 needed for the nomination, is favoured in all the major states.

He also received good news yesterday in the shape of opinion polls in two of the four big industrialised states which hold primaries next Tuesday.

In Ohio, he was winning 58 per cent, well ahead of Mr Buchanan on 14 per cent and Mr Forbes on 10 per cent. In Illinois, the poll split 49-23-13 in his favour.

Mr Buchanan found some public consolation in the very preliminary rounds of caucuses in Missouri. But his early lead over Mr Dole may not stand up by the time the state completes its complex process of allocating delegates on May 17.

Forbes: "out of bounds"

Kemp: sudden rift

Dole: urged to pick Powell

Buchanan: hurt George Bush

Public spirit puts California's schools on-line

By Christopher Parkes in Los Angeles

More than 20 per cent of California's 12,000 elementary schools were connected cost-free to the information superhighway at the weekend during a rare demonstration of community spirit.

An estimated 16,000 volunteers, guided by experts from the 1,000-plus sponsoring high-tech companies, laid cable into classrooms and tapped telephone, networking and internet connections in a one-day blitz worth up to $300m in labour and materials.

Although the attendance of President Bill Clinton and Vice President Al Gore brought a touch of political circus, by common consent the day belonged to San Francisco's KQED public television station and Mr John Gage, chief scientist at Sun Microsystems, who led the campaign for Saturday's NetDay96.

The aim was to link to the network at least five classrooms and the library of each participating school. Although organisers yesterday proclaimed the event a triumph, early reckonings showed much of the effort was focused in northern California, home to the leading high-tech companies, and in affluent urban areas.

As some sceptics had feared, the more deprived regions appeared to be left on the margins. For example, only 70 of the 660-plus schools in the Los Angeles school district were cabled and connected, with most of those in the better-off parts of town.

The event was California's response to studies showing the state ranked 45th in the country in terms of technology spending in schools, and that networking alone, excluding computer costs, would require $1bn of public funds.

In the event, most of the cost was borne by companies such as Sun, which pledged some $500,000. Groups such as MCI and Sprint, the long-distance telecommunications carriers, and internet service providers offered cabling, practical guidance and free net access.

Microsoft gave 100 wiring kits and 50 copies of its Windows NT network operating system, while 75 employees gave up their Saturday.

The Tells Foundation, a project part-funded by the California Department of Education, was also closely involved. The year-old foundation, which promotes on-line electronic learning, started its interactive operations by providing free Internet access to more than 1,000 teachers plus back-up administrative support.

On the margins of the event, a San Diego-based charity which scrounges second-hand computers from business users and redistributes them for educational purposes, said it had been deluged with requests for hardware to connect to the schools' newly installed wiring systems.

New 'Andean Community' to be modelled on EU

By Sally Bowen in Lima

The five countries of the Andean Pact announced the creation of an "Andean Community" at their weekend summit in Trujillo, northern Peru, in an ambitious attempt to revitalise their flagging 27-year-old trading bloc.

The new organisation, modelled on the European integration process, is a last-ditch attempt to breathe life into an institution which has so far failed to adapt to the modern, free trade world.

The existing bureaucracy is to be superseded by a secretariat, also based in Lima, while the political profile of the new organisation is to be much enhanced. The council of foreign ministers will elect a secretary general, with the post rotating between member countries, intended to carry real executive power and resolve disputes.

Within five years, according to the Act of Trujillo, signed by Peru, Bolivia, Colombia, Venezuela and Ecuador at the weekend, the 100m-plus inhabitants of the Andean Community will have a directly elected parliament and a genuine customs union.

"This is not just a cosmetic change," said Bolivian President Gonzalo Sánchez de Lozada immediately after the closing ceremony late on Sunday. "The name is significant of our desire for genuine integration. It will be an unhurried but continuing process, taking account of the idiosyncrasies of the Andean countries."

The productive and cordial meeting of four presidents and Venezuela's foreign minister, representing an absent Mr Rafael Caldera, came against a varied backdrop of political problems. Peru and Ecuador have still to resolve their stubborn border dispute which only last year flared into month-long fighting. There are regular clashes between Colombian and Venezuelan troops on their frontier.

Colombia's President Ernesto Samper, meanwhile, is under investigation for alleged drug-trafficking links. On March 1 his country was denied "certification" (official US approval) for its counter-narcotics efforts, severely damaging Colombia-US relations.

Yet economic ties within the region have gone from strength to strength. Although trade between Pact countries accounts for only around 10 per cent of members' total international commerce, it has climbed steadily, from $1.8bn in 1991 to $2.9bn in 1993 and $4.6bn last year.

"Trade has been holding this thing together while the politicians have been doing everything possible to kill it," said Mr Sánchez de Lozada. He and Peruvian President Alberto Fujimori were reported to be the most enthusiastic proponents of a pragmatic and less bureaucratic new-look pact.

What looks like the most serious integration effort so far should be well received by the Andean Pact's trading partners. Mr Sabato della Monica, ambassador for the European Union in Lima, has called the existing organisation a "black hole" in the Americas in terms of trade organisation. "Negotiating with one real bloc instead of a series of individual countries is far more effective," he said.

The new Andean Community, its presidents admit, has a long way to go before it can aspire to the level of integration achieved by its European model. But the political will finally seems to be there, to "open the door to the future", as Mr Fujimori said in his closing address.

Brazil welfare consensus sought

By Angus Foster in São Paulo

Brazil's Congress yesterday resumed work on social security reform, with the appointment of a new congressional reporter to oversee the project, after a government-backed proposal was thrown out last week.

Mr Michel Temer will try to build consensus between the government's reform proposals and opposition concerns that the changes will take away some people's pension rights. The government is worried that without reform, Brazil's pension system will become unable to be financed early next century.

Mr Temer is the centrist leader of the Brazilian Democracy Movement (PMDB) in the lower house of Congress and should be able to build agreement within his own party for some reforms. The PMDB, the largest party in the government's ruling alliance, was chiefly responsible for last week's setback when many members, including the party's president, voted against the social security bill.

The government's proposals, which have so far taken about a year of negotiations, have already been watered down; one minister said even the changes thrown out last week had been reduced to "tinkering" rather than real reforms.

President Fernando Henrique Cardoso has insisted pension reform remains a priority.

He is due to arrive in Japan this morning for an official visit and his absence from Brazil has put on hold another problem delivered by Congress last week, when the senate decided to set up a commission of inquiry into the country's banking system. The government is trying to prevent the commission starting work, lest such a controversial investigation brings other business in Congress to a standstill.

The parties in Mr Cardoso's alliance are to wait until his return before naming their representatives for the commission. Although some analysts believe he could delay the investigation, uncertainty about whether it will begin work is likely to undermine the stability of the banking system, already damaged in the last year by rumours of liquidity problems and fraud.

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Noriega turns on his accusers

Did US authorities go too far in their eagerness to convict former Panamanian strongman on drugs charges? Henry Hamman reports

For the lawyers in the Miami US Attorney's office, the 1992 trial of former Panamanian dictator General Manuel Noriega on drug charges was a high-profile, high-risk venture.

The Bush administration, after invading Panama, had brought the general to the US and was looking for legal vindication of its unprecedented attempt to extend the reach of US laws.

Government lawyers used as witnesses against Gen Noriega many of the men who were alleged to have been instrumental in developing Panama as an important site for the processing and transshipment of cocaine and the laundering of drug money. The general's attorneys attacked their credibility, but the government prevailed, and in April 1992, Gen Noriega was found guilty of narcotics trafficking and sentenced to 40 years in prison.

Last week Gen Noriega was back in a Miami federal courtroom to try to overturn his conviction on the grounds that the US authorities had overstepped the mark in their eagerness to put him behind bars.

A key witness in his original trail was Panamanian airline owner Mr Ricardo Bilonick. Mr Bilonick, himself facing US drug charges at the time of his trial, said his airline had been used to ship huge quantities of cocaine to the US. In return for his testimony, Mr Bilonick and his family were given residency in the US and he served a relatively short prison sentence.

Obtaining Mr Bilonick's testimony was a high priority for the prosecutors, but it was not until well after the trial had started that he agreed to come to the US and give evidence.

The government was so desperate to get him as a witness that attorneys entered an agreement with another high-level Cali cartel operative, Mr Luis "Lucho" Santacruz Echeverri, promising him a big reduction in his 23-year jail term if he could produce Mr Bilonick. The arrangement was not revealed to the defence during the trial, nor to the court. After Mr Bilonick testified, Mr Santacruz Echeverri had his sentence cut by nine years.

Mr Santacruz Echeverri is the half-brother of José Santacruz Londoño, a reputed kingpin of the Cali cartel who was killed in a shoot-out with police last week in Colombia.

Last autumn, evidence surfaced that called into question Mr Bilonick's testimony. Two high-level Cali narcotics cartel defectors told the US Drug Enforcement Administration that the Cali drug cartel paid Mr Bilonick $1.25m to testify. Under US legal rules, the general's lawyers were told of the claim, which formed the basis of his request for a new trial.

In court last week, one Cali defector, identified as only "A," said he gave a cash downpayment to Mr Bilonick and the balance to his wife. The man who brokered Mr Bilonick's surrender, Mr Joel Rosenthal, a former federal prosecutor who has confessed to money laundering, denied knowledge of any bribe, as did the lead prosecutor in the Noriega case, Mr Michael Patrick Sullivan.

Noriega: back in court

Mr Bilonick, too, has said he took no money from the Cali cartel. Mr Sullivan said he told the cartel through Mr Rosenthal that no threats or inducements should be made to get Mr Bilonick's testimony, but acknowledged: "I had certain fears of what methods of persuasion might be used."

Gen Noriega's attorneys produced two other witnesses who said their testimony had been procured by inducements. Mr Carlos Lehder Rivas, a Colombian drug dealer now serving a 55-year sentence, claimed the government reneged on promises of a big sentence reduction and transfer to a German prison for testimony against Gen Noriega.

Mr Rogelio Alba, a former colonel in the Panama Defence Forces, alleged a government lawyer threatened him with prosecution if he did not testify and said DEA agents led him to believe he would receive up to $20,000 if he testified. One of the DEA agents who shepherded Mr Alba during his testimony denied any promises of cash had been made.

Gen Noriega's lead attorney, Mr Frank Rubino, argued that the hearing showed the government had "given control of the collection of evidence and the production of witnesses to criminals". He said the failure to disclose its agreement with Mr Santacruz Echeverri during the trial deprived the jury of a possible motive for Mr Bilonick's testimony.

Government attorneys argued that even if the defence had known of the agreement, discrediting Mr Bilonick would not have shaken the strength of the government's case against Gen Noriega enough to change the outcome.

Judge William Hoeveler, who presided over the original trial and the new trial hearing, is expected to take several weeks to decide on whether the government went too far in its quest to convict Gen Noriega.

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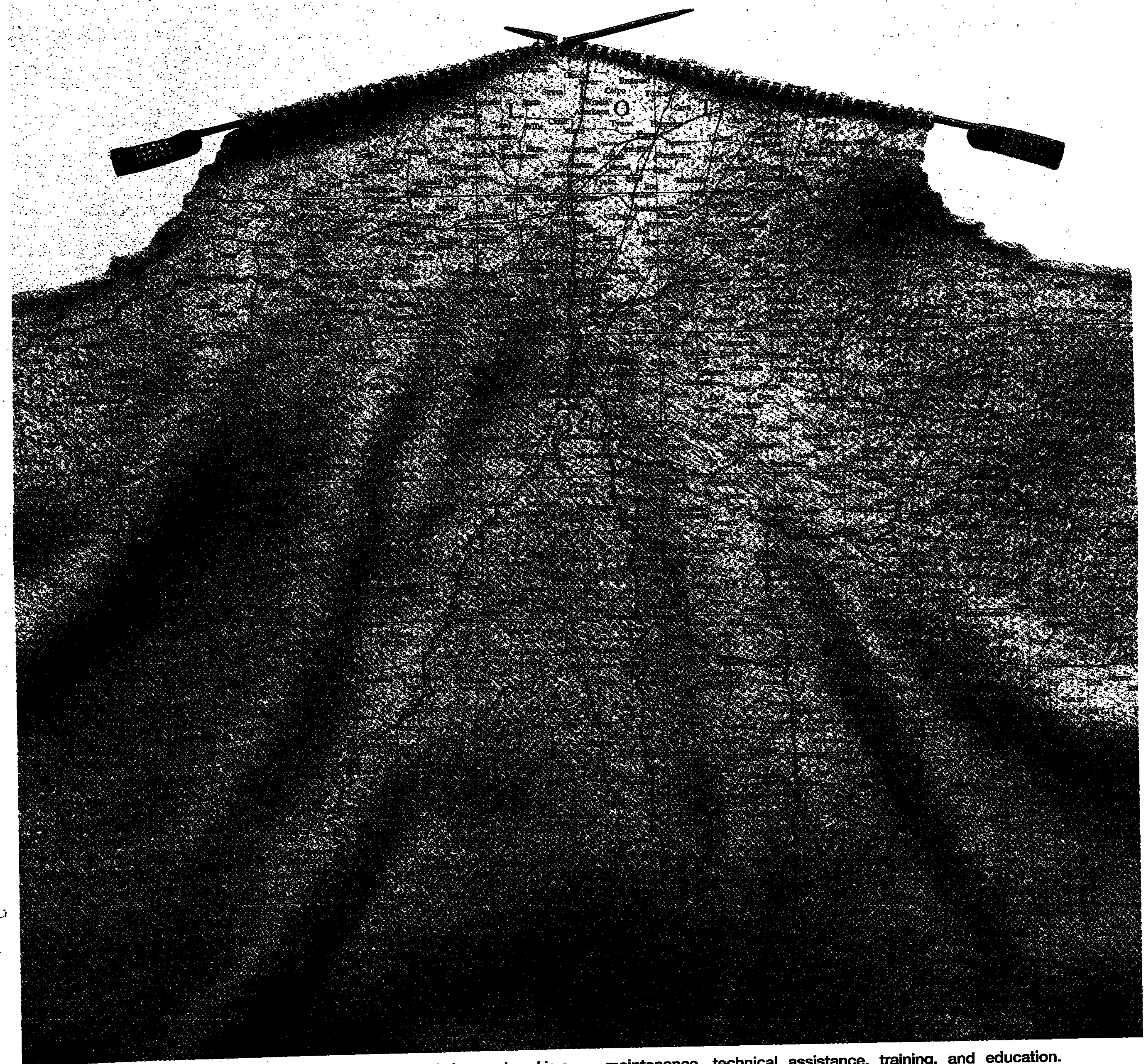

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Thailand may curb inflows of capital

By Ted Bardacke in Bangkok

Thai economic authorities are considering a new set of fiscal and monetary measures to slow the speculative capital inflows that are complicating the country's fight against high inflation and a large current account deficit.

Possible measures being studied by the Finance Ministry include introducing a tax on currency swaps and increasing the withholding tax rate on interest income from 10 per cent to 15 per cent. The former is likely to cut down on some private sector foreign currency borrowing by raising its effective cost, while the latter will discourage some international investors from taking advantage of the interest rate differential between US Treasury bonds and short-term bank deposits in Thailand.

If enacted, the increased taxes would be the first time since economic overheating fears began to be a worry that the ministry has actively implemented specific administrative policies aimed at reducing speculative inflows. In the past, the Bank of Thailand, the central bank, had been alone in pursuing restrictive monetary policies.

Analysts said potential moves by the ministry are a sign that Thai authorities may be more worried about economic fundamentals than they are admitting in public.

On the monetary side, the Bank of Thailand is considering raising the cash reserve requirement on non-resident baht accounts at finance companies to 7 per cent to match the requirements imposed on similar accounts at commercial banks last year. Once the finance companies are constrained in this way, the reserve requirement on the commercial bank accounts may be raised to 10 per cent, central bank officials said.

Raising this reserve requirement lowers the rates banks and finance companies will offer depositors, thus decreasing the dollar-baht interest rate differential. Because the Thai currency is in effect pegged to the US dollar, administrative measures such as these are the only short-term tools available to Thailand to fight inflation and current account deficit, analysts say.

Other traditional measures such a raising interest rates so as to slow down the economy only serve to increase capital inflows, which in turn spurs inflation.

A reduction in government spending is also difficult as Thailand already has one of the most restrictive fiscal policies in Asia, having continually run a budget surplus for the past several years.

Sumitomo Bank to reduce costs

By Emiko Terazono in Tokyo

Sumitomo Bank, a leading Japanese commercial bank, has tried to avert public criticism over the industry's role in the housing loan crisis by announcing a list of cost cutting measures.

The announcement follows agreement between the ruling coalition and the banking industry last week when the banks pledged to restructure their operations to increase their profits and repay through tax payments the Y500bn ($4.7bn) in public funds to be used in a plan to bail out bankrupt housing loan companies, or *jusen*. Other banks are expected to follow Sumitomo's example.

Bank of Tokyo-Mitsubishi, which will be created through the merger between Bank of Tokyo and Mitsubishi Bank, is to reduce its workforce by 3,000 by curbing new recruits and cutting the number of outlets. But the banks denied yesterday that the personnel reduction was in response to last week's agreement with the government.

Mr Toshio Morikawa, Sumitomo president, said his bank would cut its workforce by 1,500 over the next two years through attrition and would seek further ways to cut personnel costs. The bank would reduce other overheads by merging and closing branches, and suspending the launch of new branches, he said.

Mr Morikawa said Sumitomo would return to the black for the business year which runs to the end of this month in spite of writing off its bad loans to the *jusen*. One of the objections against last week's agreement between the banks and the government was that the banks would be exempt from tax payments in the medium term since they could be in the red because of bad loan write-offs.

Sumitomo posted a pre-tax loss of Y335.7bn and a net loss of Y335.5bn for the year to March 1995 following large write-offs of bad loans.

Mr Morikawa said the bank's net operating profit, drawn from its core banking business, would rise by 60 per cent in the current year to Y390bn thanks to low short-term interest rates. He said that the bank would dispose of its bad loans by using its operating profits and by raising profits through share sales.

Treason and rebellion charges

Ex-presidents on trial in S Korea

By John Burton in Seoul

Two former military presidents, who ruled South Korea for a total of 13 years, yesterday went on trial on treason and rebellion charges for which they could receive the death penalty.

Mr Chun Doo-hwan and Mr Roh Tae-woo are accused of leading a 1979 army mutiny that brought their military clique to power, and subsequently ordering a massacre of at least 200 pro-democracy protesters in 1980. Fourteen other former military officers, some of whom later held senior government positions, are also being prosecuted.

Both ex-presidents, arrested last autumn, are already being tried for allegedly accepting hundreds of millions of dollars in corporate bribes during their 1980-93 terms of office.

Mr Kim Young-sam, South Korea's first civilian president in three decades, ordered the prosecution of his two predecessors as part of a campaign to eradicate the country's "anti-democratic legacy".

Both accused and some opposition leaders argue Mr Kim is engaging in political expediency to consolidate his control of the ruling party, established by the two ex-presidents, while trying to win votes ahead of crucial general elections next month.

Mr Chun and Mr Roh, friends since childhood, wore pale blue prison uniforms but no handcuffs as they were led into the courtroom. Security outside was tight as more than 700 riot police guarded the Seoul district court building against angry demonstrators.

The most dramatic moment came inside the court when the father of a student dissident beaten to death by riot police in 1991 yelled insults at the defendants and was then assaulted by several men, later identified as sons and aides of Mr Chun.

The chief prosecutor said the trial was necessary to assert the rule of law and prevent future military coups.

The ex-presidents claim they were forced to stage their December 1979 revolt against the then army chief of staff because he was allegedly implicated in the assassination of President Park Chung-hee three months earlier. The purge of the military's top leadership paved the way for Mr Chun becoming president in August 1980.

Mr Chun's declaration of national martial law in May 1980 triggered protests in the opposition stronghold, Kwangju. Military forces were ordered to suppress the demonstrators and more than 200 people were killed.

The defence yesterday argued strong action was necessary for security reasons because North Korea was then on "war alert" and "the government had to end nationwide protests quickly".

Tokyo urges restraint on Beijing

By Peter Montagnon and William Dawkins in Tokyo

Ikeda: a new bluntness

Mr Yukihiko Ikeda, Japan's foreign minister, yesterday called on the Beijing and Taipei governments to get together to resolve their differences over Taiwan's status and warned that missile tests were harming China's chances of unification with the island.

Japan had warned China to avoid raising international tension on several occasions, including at head of state level at the recent Asia Europe summit in Bangkok. The head of the foreign ministry's Asian bureau had summoned Chinese diplomats in Tokyo to express concern since the tests began last week, he said.

"In terms of international law we certainly cannot ask a country to refrain from exercises on the high seas, but we do hope that they will exercise self-restraint," he said. "Furthermore we believe the Chinese are not getting the expected effect. Rather, they are producing the opposite result."

China fired three missiles in test areas close to Taiwan on Friday. It has since also announced other exercises in the Taiwan Strait in an attempt to reduce support for President Lee Teng-hui in a presidential election due on March 23, and to dissuade voters from supporting formal independence.

Mr Ikeda's remarks, in an interview, mark a new bluntness in Japan's stance towards Beijing, normally handled with acute circumspection by Tokyo. It also reflects a worsening in bilateral relations with China, which began to deteriorate with last year's Chinese atomic weapon test. That caused Japan to freeze new grant aid, itself an unusually sharp reaction.

Japan was particularly concerned about the latest announcement of conventional missile tests, which had forced Japanese airlines to reschedule some air routes. "Changes in air routes have been made inevitable. We will also have to investigate whether various activities by (Japanese) nationals have been affected adversely, and if so, then certain concrete actions might be taken... But I would rather refrain from commenting on what specific means we might employ," said Mr Ikeda.

He stressed that Japan was not contemplating anything big and would not ask for compensation for the air route diversions. Asked what Japan would do if China invaded Taiwan, he said: "We do not think there will be a Chinese invasion." Japanese military experts did not think China had the military strength to take and hold Taiwan, said Mr Ikeda, a former director general of the Japanese defence agency.

He did not believe the Chinese leadership wanted to jeopardise its campaign to be admitted to the World Trade Organisation and other international forums. He saw no change in "the top of their priority list, which is to maintain domestic stability through economic reforms and an open door policy".

China takes risky course on Taiwan

Serious escalation cannot be ruled out, Tony Walker and Laura Tyson write

China's firing of missiles perilously close to Taiwanese ports has prompted deepening concern about open conflict in the Taiwan Strait, but defence analysts believe the dispute is more likely to continue to be marked by what one described as "degrees of sabre-rattling".

But there is no question that China has raised the stakes dramatically in its argument with Taiwan and in the process risked further escalation of the conflict. It has also increased dangers of miscalculation leading to military conflagration.

China's leaders have also placed themselves in a corner from which retreat would be difficult without loss of face. "This is psychological warfare with very dangerous overtones," a senior military attaché in Beijing said

People's Daily, the Communist party newspaper, made it clear at the weekend China was prepared to resort to almost any means, including military action, to halt Taiwan's slide towards independence. "We will do everything we can to safeguard the motherland's unity. We mean what we say," the paper said.

Mr Wei Yansheng, a Taiwan affairs specialist in China's Academy of Social Sciences, said he did not believe conflict was imminent because he assumed Taiwan's leadership "would not dare to go too far," but warned that US interference would vastly complicate the issue.

"It's a family problem, like two brothers arguing with each other, or fighting between husband and wife: let them go and sort it out by themselves." Inevitably, war talk in the Taiwan Strait has focused attention on the military balance across the 135 miles of water that separate the island of Taiwan from mainland China. But defence analysts believe it is misleading to calculate relative strengths and weaknesses based on firepower alone.

Most agree China would pay a terrible price if it sought to invade Taiwan. But they also note Beijing has various options that stop well short of risking the sort of carnage that might result from an attempted invasion. Virtually any further serious escalation, however, such as a blockade, would bring a heavy price internationally.

Estimates provided by a western embassy in Beijing show China would need something like 800,000-1m men to invade Taiwan, but its amphibious and sea-lift capabilities would enable a maximum force of about 50,000 men to be involved in such an exercise.

"They don't have the amphibious landing capabilities for a force of more than 50,000, they are limited in their capability to sea-lift in supplies and additional manpower, they don't have the ability to provide air cover and co-ordination and they lack experience," a defence attaché said.

He noted that the last time China sought to mount an operation beyond its borders it lost 35,000 men. Its invasion of Vietnam in 1979 was described by Chinese propaganda as a "counter-attack in self defence", and resulted in China receiving a "bloody nose".

China's options in mounting a full-scale naval blockade are also limited. Defence analysts doubt that Beijing could involve more than 50 warships in such an exercise and this would be insufficient. China is modernising its fleet with the addition of guided missile destroyers such as the Luhu built in its own shipyards and the acquisition of Kilo class submarines from Russia, but its navy remains predominantly a coastal defence force.

"They would be able to use the threat of a naval blockade to wobble the stock market in Taiwan," one attaché said. "But if they tried to convert the blockade into practice, the threat would be exposed."

China's ability to provide adequate air cover for its navy is limited, at best. Taiwan's air defences are regarded as one of its strong points. Its American-supplied F-5s carry superior firepower and have better avionics than their Chinese counterparts, except, possibly, for China's new SU-27s.

But a defence attaché said that while the Russian-supplied Sukhoi was a "good aircraft", it was not clear Chinese pilots were yet able to fly it to "its operational capability". It was also doubtful if missiles on the SU-27s were up to the standard of the Taiwanese ones.

China, with its use of its M-9 intermediate range missile, three of which were fired into international waters off Taiwan's two main ports last Friday, demonstrated an ability to disrupt shipping, but in doing so, it may have already played its trump card, military attachés say.

"The M-9 is their best bit of inventory. It is accurate and reliable; they have shown that, but the question is what do they do next?" asked one. He also noted that stocks of M-9s, which cost $2m-$3m (£1.3m-£2m) each, are "finite".

"It is not easy to produce vast numbers of M-9s, and not cheap either. This is not like dropping an iron bomb. This is an expensive bit of kit."

China, in its missile tests and use of live-fire ammunition, has kept to international waters. If tests moved inside Taiwanese territorial waters, irrespective of Beijing's historical claims to Taiwan, these actions would be seen internationally as an act of war.

> 'This is psychological warfare with dangerous overtones'

Taiwan would have little defence against Chinese missile attacks and would have to rely on the international community to put pressure on China to stop. "We can do very little to protect ourselves from missiles; it takes a lot of logistical support," said Mr Andrew Yang of Taipei's Council of Advanced Policy Studies.

Chinese mining of waters off Taiwan's ports would also be regarded as highly provocative, since it would affect ships of third countries.

China's economy inevitably would be harmed. While a further serious escalation seems relatively unlikely at this stage, since it is in neither side's interests, such a possibility cannot be ruled out. China's leaders in their resort to brinkmanship have embarked on a risky course.

Staring across the Taiwan Strait

Balance of power

		China	Taiwan
Armed forces		2.93m troops and 1.2m reserves	468,000 regulars
Army	Troops	2.2m	290,000*
	Main battle tanks	7,500/8,000	570
	Light tanks	About 2,000	905
	Armoured personnel carriers	4,500	950
	Towed artillery pieces	14,500	1,060
Navy	Regulars	260,000	68,000
	Submarines	52	4
	Destroyers	18	22
	Frigates	32	16
	Patrol and coastal combatants	870	98
Air force	Regulars	470,000	68,000
	Combat aircraft	4,970**	430†

* Including military police
** Some of which may be nuclear capable
† Including 275 F-5s, 50 F-104s, 40 Chung Kuo fighters and several domestically developed IDF fighters

Source: IISS, Reuter

Dispute unsettles Hong Kong

By John Ridding in Hong Kong

The war of words between China and Taiwan is sending unsettling echoes around Hong Kong as it prepares for next year's handover to Chinese sovereignty.

A 7 per cent plunge yesterday in the Hang Seng stock market index, down 800.54 points at 10,315.25, was attributed mainly to Friday's sharp fall on Wall Street and fears of a halt in monetary easing. But the rising tension across the Taiwan Straits exacerbated the downturn and fuelled concerns among some in Hong Kong.

"It is very worrying," said Mrs Emily Lau, an independent member of Hong Kong's Legislative Council. "It draws attention to the uncertainties facing Hong Kong."

For many, the risks could lie on the economic front. "If trade relations between China and the US suffer, then the implications are potentially serious," says the chief economist at a US investment bank.

Miss Denise Yue, Hong Kong's secretary for trade and industry, is in Washington lobbying the US to uphold China's Most Favoured Nation trading status, reviewed annually. Before leaving Hong Kong, she warned that revocation of MFN for China would have a damaging impact on exports and re-exports through Hong Kong and could halve its economic growth, now 5 per cent.

Despite the anxiety aroused by China's stance towards Taiwan, many believe the storm will blow over.

One local banker pointed out: "There is a big distinction between the Hong Kong question, which is resolved, and the Taiwan issue." But he added that the severity of China's stance could prompt concerns. "The events of the past few days show the tough-guy side of Beijing; that is not a side Hong Kong wants to see ahead of the handover".

Hong Kong has formed part of a wider game plan in Beijing, providing an advertisement for reunification with Taiwan. Consequently, China's strategic interests have increased the importance of a smooth transfer of sovereignty in Hong Kong.

As President Jiang Zemin said in January: "The return of Hong Kong to the motherland is the first station in our Long March. After that, there is Macao and, finally, Taiwan. We will have a bright future if we do well with this first station of Hong Kong."

What worries Hong Kong is that confrontation between China and Taiwan would diminish this strategic role. "You don't need enticements if you end up resorting to violence," one diplomat said.

ASIA-PACIFIC NEWS DIGEST

Australian blow for Murdoch

Mr Rupert Murdoch's News Corporation was dealt a further blow in the Australian courts yesterday, when a judge barred it from running a breakaway "Super League" rugby competition until the end of the century. Mr Justice James Burchett had already barred News from beginning the competition as planned in 1996, but the Australian Rugby League – which was undermined when News starting signing up its players and clubs for the new competition last year – sought a number of additional orders.

Virtually all of these were granted yesterday, including the longer-term ban, which the ARL claimed was necessary while it rebuilt its own competition. The orders will not affect the rugby league competitions outside Australia in which News is also involved, but there will be curbs on TV broadcasts of games in Australia if former ARL players, who defected to Super League last year, are used. News said it was asking for a stay of the orders pending an appeal. *Nikki Tait, Sydney*

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Lee Kuan Yew faces new surgery

Mr Lee Kuan Yew, Singapore's senior minister, is to undergo fresh treatment to increase the supply of blood to his heart after tests found an artery had apparently narrowed again. Surgeons performed an angioplasty on the former prime minister on January 20 to open up a narrowed coronary artery, using a balloon inserted via a catheter to widen the passage.

Mr Lee, 72, said afterwards that he expected to recover fully in about six months. But the prime minister's office said yesterday that tests "revealed that there is an inadequate supply of blood to the heart," though the case was not as severe as in January before the angioplasty.

"The probabilities are that the left circumflex artery has renarrowed. Statistically, this happens in 30 to 40 per cent of balloon angioplasty cases," the statement said. A California heart specialist would help perform a special procedure on the artery. *Reuter, Singapore*

■ Mr John Howard, Australia's new conservative prime minister and a declared monarchist, declined to swear allegiance to the "heirs and successors" of Britain's Queen Elizabeth yesterday when he took office. *Reuter, Sydney*

■ Forecasts due for release today by the Australian treasury are expected to show a budget deficit for 1996-97, with private sector economists putting the figure between A$3bn (US$2.3bn) and A$5bn. *Nikki Tait, Sydney*

■ Prince Norodom Ranariddh, Cambodian co-premier, said he had no wish to succeed King Norodom Sihanouk, his ailing father, who at the weekend said he might have to step down from the throne. *Reuter, Phnom Penh*

INTERNATIONAL ECONOMIC INDICATORS: MONEY AND FINANCE

This table shows growth rates for the most widely followed measures of narrow and broad money, a representative short- and long-term interest rate series and an average equity market yield. All figures are percentages.

	UNITED STATES					JAPAN					GERMANY				
	Narrow Money (M1)	Broad Money (M2)	Short Interest Rate	Long Interest Rate	Equity Market Yield	Narrow Money (M1)	Broad Money (M2+CDs)	Short Interest Rate	Long Interest Rate	Equity Market Yield	Narrow Money (M1)	Broad Money (M3)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1986	13.5	8.1	6.49	7.67	3.43	6.9	8.2	5.12	5.35	0.84	10.0	8.7	4.64	5.90	1.79
1987	11.6	6.5	6.82	8.39	3.12	10.5	11.5	4.15	4.64	0.55	9.0	7.3	4.03	6.14	2.21
1988	4.2	5.4	7.65	8.84	3.61	8.4	10.4	4.43	4.77	0.54	9.7	6.4	4.34	6.46	2.61
1989	1.0	4.2	8.99	8.50	3.43	4.1	10.6	5.31	5.18	0.48	6.3	5.7	7.12	6.90	2.22
1990	3.6	5.5	8.06	8.55	3.60	2.6	8.5	7.62	6.90	0.65	4.5	4.5	8.49	8.86	2.11
1991	6.0	3.7	5.87	7.86	3.21	5.2	2.0	7.21	6.40	0.75	5.1	5.6	9.25	8.42	2.38
1992	12.4	2.0	3.75	7.00	2.95	4.5	−0.4	4.28	5.24	1.00	7.0	8.2	9.52	7.80	2.45
1993	11.6	1.2	3.22	5.86	2.78	3.0	1.4	2.83	4.18	0.87	9.4	7.9	7.28	6.47	2.11
1994	6.2	1.4	4.67	7.08	2.86	5.4	2.9	2.12	4.20	0.78	9.6	9.0	5.36	6.86	1.77
1995	−0.3	2.3	5.93	6.57	2.61	8.2	3.3	1.12	3.39	0.86	3.7	−0.1	4.53	6.82	2.00
1st qtr.1995	1.0	0.5	6.18	7.47	2.86	5.0	3.6	2.15	4.38	0.86	3.7	0.3	5.11	7.41	1.90
2nd qtr.1995	0.2	1.4	6.03	6.60	2.68	6.1	3.3	1.23	3.27	0.93	2.9	−1.1	4.60	6.87	2.09
3rd qtr.1995	−0.6	3.3	5.79	6.32	2.53	8.6	2.8	0.66	3.05	0.86	3.2	−0.7	4.41	6.68	1.98
4th qtr.1995	−1.8	4.2	5.73	5.89	2.38	13.0	3.3	0.43	2.88	0.81	4.9	1.3	4.01	6.32	2.02
March 1995	0.7	0.5	6.15	7.20	2.81	4.5	3.6	2.04	4.06	0.92	3.5	−0.5	5.07	7.26	2.00
April	0.7	0.7	6.12	7.05	2.74	5.6	3.2	1.37	3.52	0.92	2.6	−1.3	4.88	7.07	2.12
May	0.2	1.1	6.05	6.63	2.68	5.9	3.3	1.24	3.35	0.91	3.6	−1.4	4.59	6.85	2.10
June	−0.1	2.3	5.94	6.16	2.61	7.0	3.3	1.09	2.98	0.96	2.5	−0.8	4.53	6.70	2.06
July	−0.5	2.7	5.80	6.26	2.55	7.2	2.9	0.80	2.91	0.91	2.9	−1.2	4.56	6.79	2.01
August	−0.5	3.4	5.82	6.50	2.55	8.6	2.9	0.71	3.25	0.85	3.4	−0.6	4.46	6.71	1.97
September	−0.9	3.7	5.74	6.19	2.48	9.9	2.8	0.46	2.97	0.82	3.5	−0.3	4.19	6.56	1.96
October	−1.5	3.9	5.81	6.03	2.46	12.1	2.7	0.41	2.89	0.83	4.0	0.4	4.09	6.55	2.04
November	−1.7	4.2	5.74	5.93	2.42	13.9	3.4	0.44	2.88	0.83	4.4	1.0	4.01	6.32	2.04
December	−2.1	4.6	5.63	5.71	2.24	13.1	3.2	0.42	2.86	0.77	6.3	2.4	3.94	6.07	1.97
January 1996	−2.6	4.8	5.42	5.64	2.26	12.8	3.1	0.45	3.10	0.75	8.2	3.7	3.62	5.90	1.88
February			5.15	5.81	2.17			0.50	3.19	0.75			3.35	6.18	1.86

	FRANCE					ITALY					UNITED KINGDOM				
	Narrow Money (M1)	Broad Money (M3)	Short Interest Rate	Long Interest Rate	Equity Market Yield	Narrow Money (M1)	Broad Money (M2)	Short Interest Rate	Long Interest Rate	Equity Market Yield	Narrow Money (M0)	Broad Money (M4)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1986	6.9	6.4	7.79	8.36	2.65	10.5	8.4	13.25	11.47	1.41	4.0	15.4	11.02	10.21	4.35
1987	4.1	11.5	8.63	9.46	2.75	10.4	9.6	11.32	10.58	1.94	4.7	15.2	9.77	9.68	3.60
1988	3.9	8.3	7.94	9.08	3.69	7.8	8.5	11.24	10.54	2.71	6.8	17.3	10.41	9.82	4.48
1989	7.5	10.0	9.40	8.79	2.88	7.1	9.3	12.42	11.61	2.46	5.9	17.6	13.96	10.11	4.36
1990	3.8	9.3	10.32	9.92	3.19	9.3	10.1	11.98	11.87	2.84	5.3	16.1	14.82	11.56	5.07
1991	−4.9	2.4	9.62	9.03	3.58	7.3	8.5	11.83	13.20	3.45	2.4	8.0	11.58	10.08	4.97
1992	−0.2	5.4	10.36	8.57	3.55	6.7	7.7	13.86	13.29	3.63	2.4	5.1	9.74	9.09	4.91
1993	1.6	−2.2	8.55	6.75	3.21	4.6	7.4	10.22	11.28	2.35	4.6	3.5	5.99	7.40	4.01
1994	2.7	2.2	5.84	7.21	2.99	6.6	5.1	8.48	10.56	1.67	6.4	5.0	5.57	8.01	3.94
1995	5.6	2.5	6.60	7.53	3.17	0.8	0.4	10.38	12.22	1.72	6.0	7.2	6.77	8.16	4.15
1st qtr.1995	−0.6	2.1	6.65	8.07	3.22	1.9	−0.5	9.70	12.79	1.70	6.7	4.9	6.73	8.60	4.28
2nd qtr.1995	1.3	3.4	7.47	7.59	3.10	0.3	−0.4	10.69	12.71	1.76	6.0	6.3	6.76	8.19	4.21
3rd qtr.1995	3.3	3.9	6.12	7.35	3.11	0.4	0.5	10.52	11.79	1.64	5.8	8.3	6.87	8.09	4.08
4th qtr.1995	5.6	2.5	6.14	7.10	3.25	0.6	2.1	10.60	11.59	1.77	5.5	9.4	6.71	7.77	4.04
March 1996	−0.6	2.1	8.07	8.01	3.26	0.7	−0.0	10.96	13.48	1.79	7.0	5.5	6.74	8.54	4.36
April	−0.0	2.3	7.78	7.80	3.11	−0.7	−0.8	10.84	13.44	1.72	6.3	5.6	6.76	8.38	4.27
May	1.8	3.1	7.48	7.54	3.05	−0.3	−0.1	10.41	12.37	1.68	5.9	6.6	6.79	8.13	4.19
June	1.3	3.4	7.18	7.45	3.14	1.8	−0.1	10.85	12.41	1.86	5.7	6.9	6.73	8.09	4.17
July	0.5	3.0	6.44	7.42	3.09	−0.9	−0.4	10.88	12.23	1.75	5.7	8.1	6.89	8.23	4.11
August	1.2	3.9	5.96	7.30	3.06	3.0	0.4	10.44	11.67	1.58	6.1	8.4	6.88	8.10	4.07
September	3.3	3.9	5.98	7.34	3.19	−1.0	1.5	10.26	11.49	1.61	5.5	8.3	6.63	7.92	4.06
October	0.0	1.7	6.89	7.47	3.31	−0.3	1.7	10.69	11.94	1.76	5.2	9.0	6.81	8.09	4.04
November	2.4	2.6	5.90	7.06	3.20	0.6	2.0	10.60	11.64	1.81	5.8	9.3	6.73	7.76	4.05
December	5.6	2.5	5.60	6.76	3.23	1.6	2.6	10.51	11.18	1.74	5.7	9.8	6.57	7.46	4.04
January 1996			4.70	6.44	3.08	2.5	4.6	10.01	10.47	1.65	5.2	10.7	6.45	7.41	4.19
February			4.42	6.58	3.11			9.84	10.54	1.67	6.1		6.24	7.72	4.06

Monetary growth rates: show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. All growth rates refer to the seasonally adjusted series except for Japan and Italy. German monetary statistics now form a continuous pan-German series. Monetary data supplied by Datastream and WEFA from central bank sources. Interest rates: short-term, period averages of US – 90-day commercial paper, Japan – 3-month certificates of deposit, Germany – 3-month Fibor, France – 3-month Pibor, Italy – 3-month Euro-lira, UK – 3-month Libor; long-term, period average yields on 10-year benchmark government bonds. Interest rates supplied by Datastream. Equity market yield: period averages of the gross dividend yield on the relevant FT-A world index.

PM pledges crackdown on habitual late payers

By James Blitz and Richard Gourlay

Mr John Major yesterday pledged to crack down on the late payment of bills by big companies and Whitehall departments as he unveiled a package of measures aimed at easing the burden of red tape on small businesses. The prime minister said he personally favoured measures which would force companies to declare their record on late payments at regular intervals.

Mr Major said the government should "take steps to generate embarrassment among those who wilfully and continually pay late." He also announced plans for "one-stop shops" of regulators to give advice on the rules and regulations facing employers.

Mr Major's speech gave a clear indication that small business policy is likely to be a key battleground at the next election.

His comments were also in stark contrast to recent comments from Mr Michael Heseltine, the deputy prime minister, who had boasted about "stringing along his creditors" when he was a young businessman.

Since January, companies have been required to publish their payment policies in annual reports. But trade and industry ministers said the government could introduce statutory regulations requiring companies to disclose their payment records before the end of this year.

Mr Major said industry would now be consulted on whether payment records should be published.

Mr Stephen Alambritis, of the 90,000-strong National Federation of Small Businesses, said Mr Major's announcement was "a step in the right direction."

But the Institute of Management said plans to embarrass late payers would "result in red faces for the government."

In his speech to the first "Your Business Matters" national conference, which aimed to identify the concerns of small businesses, Mr Major also ordered government departments and local councils to speed up payment. He pledged to draw up "rigorous" league tables which exposed "not their aspirations but the record of what they actually achieve."

The prime minister said the government would introduce other measures to help small and medium sized businesses. These included:

- A series of one-stop shops to give across the board advice to employers on regulations dealing with fire safety and environmental standards.
- Simplified registration for new companies so that they do not need to register separately with the Inland Revenue, the Contributions Agency and Customs and Excise;
- A computer system to provide a single point of information about regulations and licences for new companies.

Mrs Margaret Beckett, Shadow Trade and Industry Secretary, said the government itself was one of the worst offenders on late payment, owing at least £200m to small businesses in late payment.

"Small business people would be wise to be very cautious of proposals coming from this Government whose record far belies their rhetoric," she said.

Tories wary of referendum party's support

By Robert Peston, Political Editor

The launch of Sir James Goldsmith's Referendum party could "make the difference between the Conservative party winning or losing the next election", according to a paper written by a Tory party researcher.

A briefing note for Tory Members of the European parliament says private opinion polls commissioned for Sir James suggest "it may attract as much as 6 per cent support" in a general election, although "it is realistic enough to believe this is more likely to be 1 or 2 per cent at best".

The paper says that even this lower vote could be enough to cost the Tories 25 seats. In the last general election such a vote swing would have "made the difference between a Conservative government and a hung parliament".

Ministers and Tory officials were yesterday pouring scorn on the paper. "It is a pretty efficient synopsis of recent press cuttings on Goldsmith by an obscure researcher," said a Tory official. "Frankly, it is a statement of the obvious."

In a sign of the seriousness of the threat posed by Sir James, Mr John Major, the prime minister, has been in contact with him through a third party, to ascertain whether he can be persuaded to back off.

Sir James, a billionaire and MEP, has said that he will field candidates in every constituency, unless candidates of the leading parties commit themselves to a "fair referendum" on the Maastricht treaty.

The government is expected in the next few weeks to announce a commitment to hold a plebiscite on participation in a single currency. But it has ruled out a referendum on the broader issue of the EU's constitution, which is the only basis on which Sir James has said he would stand down.

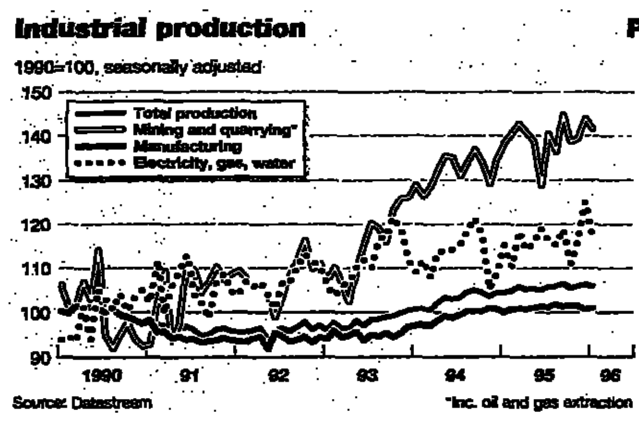
Sir Teddy Taylor, an outspoken Tory Eurosceptic, last night called on the government to offer a referendum on UK's membership of the EU.

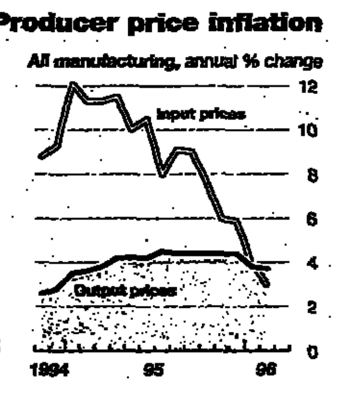
Sir Teddy was reacting to publication of remarks recently made by Mr Jacques Santer, president of the European Commission, that "in a few years from now, before the turn of the century" the process of EU integration "will have grown into economic and political union".

A furious Sir Teddy said that Mr Santer was "right to say that we will have a single EU state with central economic controls unless we do something about it now".

Manufacturing picture remains gloomy

By Graham Bowley, Economics Staff





UK factory output recovered slightly in January after the big fall suffered in December, but the longer term outlook for manufacturers is still gloomy, figures showed yesterday.

The subdued figures provided further evidence that manufacturers continued to run down stocks of finished goods built up in the second half of last year rather than increasing production.

Some City economists believe that output will recover in the second half of this year, as stock correction comes to an end and demand in home and European markets starts to pick up.

Mr Geoffrey Dicks, an economist at NatWest Markets, said: "Manufacturing has still some way to go to reverse recent losses, but at least the corner appears to have been turned."

Economists were cheered by a pick-up in the manufacture of durable goods, which they said was consistent with signs that conditions on the high street were improving as consumers start to spend more on "big ticket" items.

But the manufacture of investment goods slipped back, deepening concerns about the state of investment.

Manufacturing output rose by a seasonally adjusted 0.3 per cent between December and January – due largely to increased production of textiles, leather and clothing and food, drink and tobacco, the Central Statistical Office said.

But factory output in the three months to January was 0.6 per cent lower than in the previous three months, with declines across most sectors. This was the second successive fall and the biggest since August 1993.

The CSO believes that factory output is now stagnating, with the long-term trend pointing to a zero annual growth rate, the weakest trend growth rate since 1992.

In the three months to January, production of electrical equipment rose but this was more than offset by declines in the manufacture of basic metals, food, drink and tobacco and transport equipment.

A warmer January depressed demand for gas and electricity, leading to a sharp fall in the output of the energy supply and extraction industries.

Mining and quarrying output fell 1.7 per cent between December and January, while the output of the electricity, gas and water supply industries declined 6.4 per cent.

Overall industrial production – which consists of manufacturing output and the output of the energy extraction and supply industries – fell by 0.5 per cent between December and January.

In the three months to January industrial production was unchanged compared with the previous three months and 1.7 per cent higher than in the same three months a year ago.

The CSO estimates that industrial production is now growing at a trend rate of 0.5 per cent a year.

Factory inflation at lowest rate for a year

By Graham Bowley, Economics Staff

Factory gate price inflation fell to its lowest rate for a year last month, as industry's raw material costs continued to decline, helped by a fall in petrol and electricity prices.

The Central Statistical Office said yesterday that producers' output prices rose 3.7 per cent in the year to February, the lowest annual increase since February last year. The figures, which reflect the current slowdown in British manufacturing, provided further evidence that inflationary pressures in industry remain under control as manufacturers are forced to slash prices to clear stocks of unsold goods.

Economists said the data vindicated the decision by Mr Kenneth Clarke, the chancellor, to cut interest rates by a quarter of a point to 6 per cent last week. Mr Clarke cited subdued price pressures in industry as one of the main reasons for the rate cut.

Mr Alex Garrard, UK economist at UBS, said that the figures suggested that there would be at least one more quarter of a point reduction in UK interest rates soon. "With input price inflation continuing to fall back, helped by sterling's stronger performance of late, price pressures in the manufacturing sector are expected to remain muted," he said.

Producers' input prices – the cost of materials and fuels purchased by manufacturers – rose 3 per cent in the 12 months to February. This is the lowest annual increase since June 1994.

A fall in the price of electricity to industrial consumers and lower prices for crude oil meant that input prices unadjusted for seasonal factors fell 0.9 per cent between January and February. After adjustment, input prices declined by 0.3 per cent last month.

Output prices, excluding the volatile food, drink, petrol and tobacco components, rose 3.5 per cent in the year to February, the lowest annual rise since January last year.

The CSO said that there was a particularly pronounced decline in prices of petroleum products, which fell 2.1 per cent between January and February.

This was the biggest decline since at least the beginning of 1992, the CSO said.

Poor demand in domestic and export markets has meant that manufacturers have had to limit price increases in order for them to sell their goods.

Upbeat outlook for oil industry

By Robert Corzine

The outlook for the UK oil and gas industry remains bright, according to a new report by the UK Offshore Operators Association, a trade group for the 34 companies which operate production platforms in the North Sea.

The report predicts that annual oil production will continue to exceed the present rate of consumption for another 10 years. It also suggests that offshore reserves are sufficient to maintain oil and gas production at "significant levels" for at least another 20 years.

In common with recent estimates from other organisations, UKOOA believes that oil production will reach a new record of around 2.9m barrels a day in 1996-97, before declining slowly to about 1m b/d by 2020.

It notes that a big factor behind bigger reserve estimates is the ability of the industry to extend the life of existing fields. "Enhanced oil recovery, tight control of operating costs and incremental investment in these older fields are all making a very significant contribution," says the report.

UKOOA estimates that two-thirds of the total increase in economically recoverable oil reserves is from the improved potential of existing fields.

The annual expenditure of the offshore industry is expected to remain at around £8bn-£10bn ($12.24bn-$15.3bn), with half the amount being used to maintain existing platforms and pipelines.

The scope for increased gas supplies is highlighted by figures which show that gas production could reach a new peak of 10bn cubic feet a day by the end of the decade.

That would be twice the amount produced in 1980. The ability of the offshore industry to produce large quantities of gas was one of the main factors behind the government's decision to open the domestic gas market to full competition in 1998.

No cash for Sinn Féin 'while violence lasts'

By Jimmy Burns

There should be no financial backing for Sinn Féin in the US until the IRA declares another ceasefire, an Irish-American businessman who has played an important part in the peace process said yesterday.

Mr William Flyn, president of Mutual America, one of the biggest US insurance companies, said in an interview with the Financial Times: "There can be no financial support until this matter is resolved.

"The idea of going back to violence isn't acceptable. I believe this to be the view of the majority of Irish Americans," Mr Flyn said on the eve of a visit to the US by Sinn Féin president Gerry Adams.

He said he hoped the Irish republican leader would take back the message that "there has to be a ceasefire, with no ifs or buts".

The comments will add to pressure on Mr Adams from the US administration, and both the UK and Irish governments, to persuade the IRA to formally end its campaign of violence as a precondition of Sinn Féin's involvement in all-party talks.

Mr Flyn first emerged as an important figure in the peace process in 1994 when his invitation to Mr Adams to speak at a conference on Northern Ireland led Mr Bill Clinton, the US president, to grant the Sinn Féin leader a visa against the advice of the British government.

Mr Flyn subsequently helped to broker the IRA ceasefire.

Yesterday Mr Flyn said he supported the US administration's decision to grant Mr Adams a visa on the condition that he did not get involved in fund raising.

"We need to support Mr Adams in the interests of peace," he said.

It emerged yesterday that, following the London bombings early last month, Mr Flyn flew to Belfast and had separate meetings with Mr Adams and leaders of loyalist paramilitary groups in an effort to prevent a resumption of terrorism.

The US administration is thought to believe that Mr Adams remains one of the few figures in Sinn Féin capable of influencing the IRA.

Mr Adams has been excluded from a White House dinner later this week for representatives of the Irish American community and Northern Ireland politicians.

However, he may try to have informal contact with US officials, including Ms Nancy Soderberg, a senior member of the US National Security Council.

President Clinton's ban on fund raising during Mr Adams' visit means that Friends of Sinn Féin, the organisation which is the main conduit of funds in the US for Sinn Féin, has had to cancel a fund-raising dinner at the Plaza Hotel in New York.

Mr Adams may also have to cancel a potentially well-paid lecture tour of the US he was due to make in May unless there is a ceasefire.

UK NEWS DIGEST

Progress on $50m oil spill claim

Significant progress has been made on settling a £34m ($52.02m) claim by Shetland Islands fishermen for loss of business caused by pollution from the tanker Braer which was wrecked on the islands in January 1993, spilling 85,000 tonnes of crude oil.

Local sources said the 130 fishermen claiming were likely to receive about £5m from the International Oil Pollution Compensation Fund, following talks last week between the fund and the Shetland Fishermen's Association.

The IOPCF faces outstanding claims totalling about £80m arising from the Braer but has only £10m left to meet them, having paid out £42m with Skuld, the ship's insurers, £5.5m. Total liability for oil pollution claims is limited by international convention to £57m. The IOPCF has frozen further payouts until all outstanding claims have been dealt with.

James Buxton, Edinburgh

Slump in lottery card sales

The slump in sales of National Lottery scratchcards is expected to cost the exchequer more than £100m, Customs & Excise officials said yesterday. Mrs Valerie Wheeler, the chairman of Customs & Excise, said her department could now only expect £600m in lottery duty for 1995-96.

"When scratchcards had only just started they were an enormous success, but since then scratchcard sales have dropped off a bit," she said. Camelot, the lottery operator, said that sales peaked at £43m in one week soon after last year's launch, but since then have settled to around £20m a week, hitting a low of £18m two weeks ago.

James Harding, Political Staff

Axle may be key to crash

A broken axle emerged yesterday as the possible cause of last Friday's train crash in which a Royal Mail train collided with a derailed tanker train, killing a postal worker and injuring 20 people.

Railtrack, which has been criticised for alleged safety failings, said that an independent investigation by British Rail Research was "specially focusing on the collapse of one of the axles on one of the four-wheel tank wagons."

The investigation team had "found no evidence of track defect, vandalism or signalling irregularity," Railtrack added. The tanker wagon was derailed at Rickerscote, Staffordshire, and was then hit by the oncoming mail train.

If the crash were caused by a broken axle, this would shift responsibility to the train operator. The tanker train belonged to Transrail, one of three former BR freight companies acquired by Wisconsin Central Transportation, a US group which also runs the Royal Mail trains.

Charles Batchelor, Transport Correspondent

By-election date set

The government's Commons majority is expected to be reduced to just one next month following confirmation that the South East Staffordshire by-election will be held on April 11.

Officials at Conservative Central Office last night confirmed speculation that the by-election, caused by the death of Sir David Lightbown, the sitting MP, would be held in the second week of April.

The government is expected to "move the writ" announcing the by-election date tomorrow. Labour is strongly expected to take the seat from the Conservatives, who had a majority of 7,192 at the last general election.

James Blitz, Westminster

Ulster parties still divided over elections

By John Kampfner in London and John Murray Brown in Dublin

The British government is likely to have to impose its own formula for elections to a Northern Ireland forum as the political parties appear to have failed to narrow their differences on the issue.

With the latest round of negotiations due to end tomorrow ministers are working on the assumption that they will have to choose between rival proposals from the Ulster Unionists on one side and the Democratic Unionists with the nationalist Social Democratic and Labour party on the other.

One senior official said ministers would spend the rest of the week looking at the possibility of a hybrid formula, taking in points from each proposal. Senior aides to Mr John Major, the prime minister, would also be closely involved. The official added: "We've had views expressed very forcefully from all concerned but seen little sign of compromise."

Mr Major has said he would like the parties to come up with their own agreed formula, but if they fail to do so, he will set in motion the government's chosen option.

Mr David Trimble, UUP leader, led a delegation yesterday for discussions with senior Northern Ireland ministers before leaving for Dublin for dinner with Mr John Bruton, the prime minister, Mr Dick Spring, his deputy, and senior ministers.

The meeting was the first between the Irish government and the Unionists since the abortive all-party talks in 1992.

In a weekend speech which reassured Ulster Unionists, Mr Bruton warned the IRA to stop issuing threats to the constitutional parties.

However, Mr Trimble made clear that, in the light of the resumption of IRA terrorism, he was no longer prepared to join Sinn Féin in all-party negotiations solely on the condition of the ceasefire being restored.

"What we want is for the IRA to declare an end to violence and to mean it and mean it for good. To have just another tactical ceasefire is not going to meet the need," Mr Trimble said.

Mr Trimble was expected to press Mr Bruton to give an undertaking that his government would legislate to set up a body to verify the decommissioning of paramilitary arms ahead of all-party talks, due to start on June 10.

His dinner in Dublin was condemned by the Rev Ian Paisley, leader of the Democratic Unionists, who said the timing was "absolutely wrong".

Resolution sought over a sensitive issue: Abdul Rahman Daya speaking out yesterday

Picture: Tony Andrews

Palestinian charity in funds plea

By Clay Harris in London

The head of a UK-based Palestinian charity will today ask the Charity Commission to release money that was frozen last week after reports that funds raised by the group had ended up with the Hamas Islamic movement.

Mr A.R. Daya, chairman of Interpal, also known as the Palestinian Relief and Development Fund, called yesterday for a prompt resolution to the doubts raised about the group's activities. "If there is an investigation, it should be immediate, and we are ready for it," Mr Daya said.

Speaking in the group's offices in a converted fire station in Cricklewood, north London, Mr Daya said Interpal possessed detailed documentation for all its remittances to registered charities in Palestinian territory, Israel and Jordan. Interpal says its spending supports orphans, health centres and other causes.

Mr Daya said Interpal had a rigorous system of vetting applications for aid and confirming that money had been sent to the correct recipients and spent as promised. "If they had seen this, they would have thought before acting," he said.

The charities regulator froze Interpal's bank accounts as a "precautionary measure" last Wednesday and made the move public late on Friday. Mr Daya said, however, Interpal was notified of the freeze, which blocks transfers from accounts without approval by the commission, only yesterday morning when it contacted the regulator to check out press reports.

He is due to meet the chairman of the Charities Commission and its chief operations manager today at a meeting requested by Interpal. The commission said yesterday that criticism of its handling of the case could be raised at the meeting.

Mr Daya, a computer engineer who has lived in Britain for 20 years and is now a UK citizen, said the freeze would have serious effects if it continued more than two weeks.

Much of Interpal's UK fundraising, and the spending it supports, takes place during Ramadan, which ended three weeks ago, and money was now due to be sent.

In the year to January, Interpal had sent Palestinian charities about £1m ($1.53m), not all of it raised in the UK, he said.

Mr Daya said: "We are not worried about fund-raising. In a year's time, the publicity will double our income".

Court documents filed by Israeli police last week named Interpal as the one of the sources of funds to Mr Suleiman Agbariah, who has been remanded on suspicion of channelling funds from foreign and local sources to the families of Hamas terrorists and suicide bombers. Released from custody late on Sunday, he remains under house arrest.

Mr Daya said neither Mr Agbariah nor the Islamic Salvation Fund, an organisation cited by Israeli police, appeared in its records as a recipient of funds.

But it was possible, he said, that Mr Agbariah was a trustee of one or more charities that did receive money from Interpal.

هكذا من الأصل

BUSINESSES FOR SALE

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- a proposed price per share;
- other information which such party may consider relevant.

The share purchase transaction shall be effected during the off-trading session at the Stock Exchange in Warsaw, upon the consent of the Board of the Stock Exchange or on the basis of Article 54.4 of the Law dated March 22, 1991 on Public Trade in Securities and Trust Funds (with later amendments) upon the consent of the Securities Commission.

Offers made in Polish and signed by the person(s) authorised to represent the offerer should be submitted by courier, receipt confirmed, in sealed envelopes, with the inscription "ROLIMPEX S.A. - Do not open" in the Ministry of Privatisation no later than on May 16, 1996, at 12:00 CET. Any offer filed after this deadline or delivered by mail shall not be considered.

When evaluating the submitted offers, the Ministry shall prefer passive, financial investors who do not carry out any activities competitive to the company.

The Ministry reserves the right to negotiate with the selected offerer, as well as to revoke the invitation and to forsake negotiations without giving any reason.

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ul. Krucza 36/Wspolna 6, 00-525 Warsaw, Poland
Capital Privatization Department, Room No. 471

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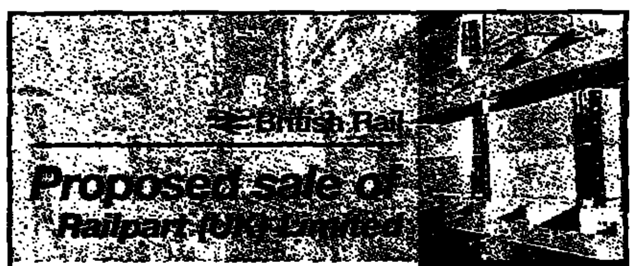

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Financial information (Year to 31 March 1995)

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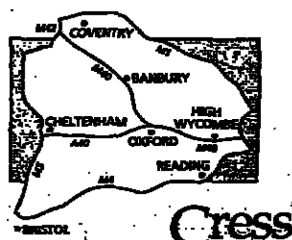

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Further information is available in the current edition of the Ministry of Defence, Works Services Opportunities available from
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The Financial Times plans to publish a Survey on

Income Tax, Self Assessment

on Monday, April 1.

Self - assessment is the biggest change to the tax system since the introduction of PAYE. To find out more about this survey, please Contact: Melanie Miles

Tel: 0171 873 3349 Fax: 0171 873 3064

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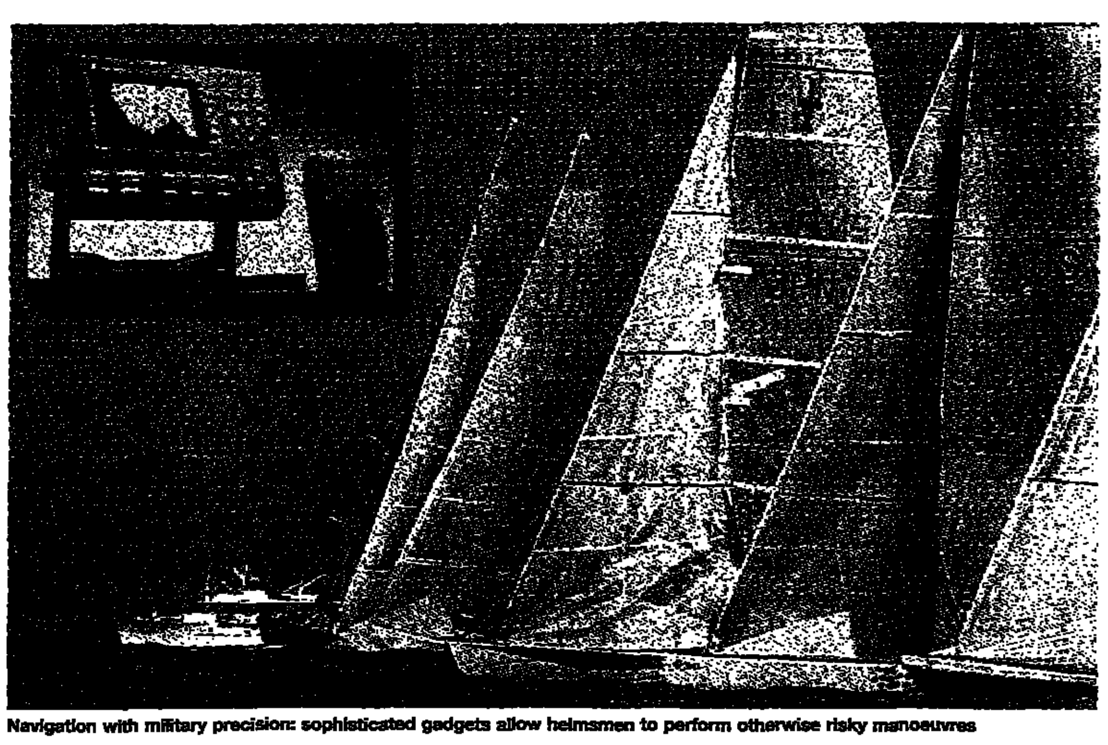
TECHNOLOGY



Navigation with military precision: sophisticated gadgets allow helmsmen to perform otherwise risky manoeuvres

Charting a smooth course

Sophisticated navigation instruments ensure greater accuracy and safety on the seas, writes **Paul Franson**

The Vikings navigated the North Atlantic using a magnetised needle suspended from a thread, but today's sailors rarely leave port without sophisticated instruments that were restricted to the military only a few years ago.

Some of these gadgets, all based on modern digital electronics technology, locate the boats accurately, often on a map displayed on a computer screen. Other instruments allow sailors to sail as close to the wind as is possible. Distress transmitters have saved many lives and satellite communications have made sailors accessible wherever they sail.

Cellular radio is common on yachts but in areas such as the Caribbean, it is expensive and coverage is patchy. A new competitor could revolutionise communications, at least in North American and Caribbean waters as well as Hawaii and Bermuda.

Virginia-based American Mobile Satellite (AMSC) launched its Skycell satellite telephone service priced at $1.49 per minute in December. Its equipment from Westinghouse and Mitsubishi costs as little as $3,600 (£2,352) and requires only a small 18in dish. A 9in version is under test.

AMSC, a joint venture between Hughes Electronics, AT&T and Mtel, will see competition from other suppliers, including Motorola, which has proposed its ambitious Iridium system of 66 satellites.

In spite of the growth of satellite communications, however, the gadget with the biggest impact is global positioning system or GPS. First gaining prominence in the Gulf war for use on land, hand-held versions now cost less than $750. They receive and process signals from dozens of satellites, fixing a boat's latitude and longitude within 15m.

GPS has contributed to an explosion of long-distance cruising. Landlubbers little appreciate how difficult it was in the past to approach the West Indies from Europe, for many of the islands are small, fringed with treacherous reefs, have few lights and lack reliable radio beacons.

GPS allows sailors to know their position, avoiding the fate of the hundreds of boats that have run aground on low-lying islands.

Jol Byerly, a leading Caribbean yacht broker and one of its most prominent sailors, relates how a small hand-held system from California-based Trimble Navigation, which popularised the products, eased his route through massive swells along the coast of Venezuela.

"We were sailing upwind in my 34-footer in the dark, in rain, in high winds and cold trying to find Parga, the only harbour for 80 miles. Against my instincts, I trusted the GPS, and headed blindly into the harbour. We sailed through the half-mile opening without incident."

Charlie Trimble, founder of the company that bears his name, says GPS "made sailing safe for people who don't do it often".

Other prominent GPS suppliers are Magellan and Garmin, although most marine electronics suppliers offer their own versions.

One problem with GPS is that the US Air Force, which controls satellites, degrades their accuracy to 100m to foil any foreign power that might launch missiles at the US. This causes problems in dense fog, the dark or narrow channels.

Bizarrely, the US Coast Guard, which is part of the Treasury Department, has developed technology to undermine the actions of the Air Force, which may decide to disable the distortion.

Many sailors use the output from the GPS, as well as from radar, to show their location and course on nautical charts displayed on personal computers. Some of these charts are based on 19th century surveys by the British Admiralty and US whaling ships, however, and recent cuts in government funding could result in very accurate location from the GPS being superimposed on increasingly outdated charts.

Screens (which can sometimes also display charts, radar and location) display depth beneath the keel and, in recent instruments, ahead of the boat. This is useful in tropical waters where sailors currently must climb the masts to look out for dangerous coral heads.

Digital technology has even come to the aid of the sailor trying to set his sails for the best course. Suppliers such as Brooks & Gatehouse produce microprocessor-based instruments which assess such complex parameters as magnetic deviation, current and wind velocity and direction, angle of heel, sideways slip through the water and reflected wind from sails.

Accidents can happen, however, and the greatest fear of any sailor is sinking after a collision with a ship, a container or even a whale. The US Coast Guard abandoned Morse code in 1993, stating that there were now better ways to call for help.

One replacement is a true lifesaver for boats crossing the ocean. Emergency position-indicating radio beacons are waterproof floating transmitters that send distress signals to aircraft or satellites. Although responsible for some false alarms, they have also saved many lives and are now coded to specific users, encouraging care in operation.

Of course, there is a problem with all this sophisticated technology: it might stop working. Marine equipment, although tough, is exposed to salt water, a highly corrosive environment.

The stories of failure are indeed legion. On a long voyage every sailor also takes along a proven magnetic compass and sextant. They may not provide as much information as the latest digital equipment, but neither do their batteries run out.

Picture is clearer for HDTV

The US could have a fully digital system as early as 1998, reports **Deborah Shapley**

How good is high-definition television (HDTV), how much will it cost and what sort of screens will the couch potatoes of the near future be watching when, or if, it goes on sale?

These questions have been brought into sharp focus in recent months, particularly in the US. American manufacturers are eyeing the market closely, following the recommendation last November by the US Advisory Committee on Advanced Television Service of a standard for all-digital HDTV for the US.

The standard, formulated after eight years of industry studies and spelt out in two volumes, has been sent to the Federal Communications Commission for approval.

The technology offers stunning, life-like pictures at twice the resolution of today's TV. An HD video of Nancy Kerrigan skating in the 1993 Winter Olympics, for example, seems like a window on the rink at Lillehammer, Norway. The five-track Dolby Surround sound gives listeners the crunch of her blades as she whizzes by.

HDTV brings scenes such as this alive and the technology will come into its own with large, flat-panel TV, says Michael Sherlock, vice-president for technology at NBC, the US TV network. A number of large flat-screen TVs are due to be launched by Japanese manufacturers over the next year.

Thomson Consumer Electronics takes a different view, however. It may introduce HDTV to US viewers on large-screen cathode ray tube (CRT) and rear projection sets in 1998, according to Bruce Allan, senior vice-president for business development.

Both flat-panel and CRT sets for HDTV will be more expensive than today's sets, and will have large screens measuring at least 38in diagonally. But large-screen TV sales are growing in an otherwise stagnant market, Allan says.

A study of "early adopters" of new sets found they would be willing to pay an extra $1,200 (£780) for a product with HDTV's life-like picture. Thomson says its first large-screen CRT sets will sell for $1,000 to $1,500, with the price falling later.

Over-the-air broadcasting of HDTV is more difficult than sending by cable or satellite. But hardware produced by several manufacturers meeting the standard has been tested in the laboratory and in field trials in Charlotte, North Carolina. Thus, in the view of the "grand alliance" of companies which finalised the standard, the problems of broadcasting all-digital HDTV have been solved.

The US system will record, send and receive in digital format. This

Doubts are being raised by Senate majority leader Robert Dole as to whether broadcasters will be awarded duplicate 6MHz channels for the 10- to 15-year transition it could take American viewers to buy digital and HD digital televisions

is in contrast to the Japanese Muse system of the early 1980s which worked in analogue format via satellite, and the Mac standard adapted in Europe and now largely abandoned.

The standard puts the US ahead in the three-way contest in advanced television, according to Margita White, a former FCC member.

"It allows for the transition of free, US, over-the-air television to a fully digital system starting as soon as 1998. This is in advance of Japan, which looks to move to digital transmission in the next century, and of Europe, which remains a hybrid of digital and analogue."

Since 1941, US television has had 525 lines which display 480 lines of vertical resolution, with 640 samples across each line defining the horizontal resolution. Screens are boxy, with an aspect ratio, or ratio of horizontal to vertical dimensions, of 4:3.

Under the new standard, there can now be 1,080 vertical lines with 1,920 samples across a line. The screen aspect ratio will be 16:9, like a film screen. The effect is different from conventional TV with its little screen on the other side of the room.

One of the attractions of all-digital HDTV is that it can carry and manipulate quantities of data along with the video signal. It integrates television with the information superhighway.

The densest video signals need a vast 1.5 gigabits per second of data (1 gigabit is 1,000 megabits). Algorithms patented by several companies can compress that signal 50 times into a 20-megabit-per-second stream to fit through the 6MHz channel, the standard US bandwidth for TV.

But most scenes are not full motion, leaving room in the channel to carry other data. This "opportunistic" data can include data files, messaging or stock quotes. Even while the full motion signal is transmitting, the system can simultaneously send a 100-page newspaper to the home TV in one minute.

Whether Americans will ever see such gripping home television, however, is an open question. The grand alliance standard was designed to fit the signal through the 6MHz "pipe". But doubts are being raised by Senate majority leader Robert Dole as to whether broadcasters will be awarded duplicate 6MHz channels for the 10- to 15-year transition it could take American viewers to buy digital and HD digital televisions.

Dole says broadcasters should buy their second channel rights at auction. But Sherlock, echoing the US broadcast industry, says that if the networks are made to spend billions at auction, they will not be able to afford the costly transition to digital HD transmission.

LAW

EU states in liability ruling

EUROPEAN COURT

European Union member states are liable to compensate individuals for damage caused by serious infringements of directly effective provisions of European law, the European Court of Justice ruled last week.

The ruling was given in the context of two cases referred to Luxembourg by German and British courts in which national legislation had been held to infringe European law.

In the German case, the European court ruled in 1987 that German beer purity laws infringed Treaty of Rome provisions on free movement of goods. A French brewery, prevented from selling its beer in Germany in 1981, sought DM1.8m compensation for lost sales between 1981 and 1987.

In the UK case, the court ruled in 1991 that the Merchant Shipping Act 1988 infringed rules on rights of establishment by imposing conditions that owners and operators of British-registered fishing vessels should be nationals of, and domiciled and resident in, the UK. Ninety-seven UK companies prevented from fishing claimed damages for lost profits between 1989 and 1991.

The court recalled that the principle that a state is liable for damage caused for infringements of European law had been laid down in the 1991 Francovich case over the failure to implement directives.

It said this principle of liability applied wherever an act or omission resulted in the infringement of a directly effective right conferred by the treaty or other European law provision. The right to reparation is the necessary corollary of the direct effect of the provision in issue. The principle also applied irrespective of the organ of the state responsible for the breach and even to acts passed by national legislatures.

The court said the cases arose as a result of action in areas where the legislatures still retained a wide discretion. Settled case-law established that, in a similar situation, the EU legislature did not incur liability unless it had manifestly and gravely disregarded the limits on the exercise of its powers. Similar conditions should apply to the liability of states. In such cases, a right to reparation existed where the European rule infringed was intended to confer rights on individuals, where the breach was sufficiently serious and where the breach directly caused damage to individuals.

While it was for the national courts alone to assess whether the breach in question was sufficiently serious, the European court gave guidance as to relevant factors in determining whether liability arose. These included the clarity and precision of the rule breached, the measure of discretion left to the national authorities, whether the infringement and damage caused were intentional or involuntary, whether any error of law was excusable, and the position taken by EU authorities.

A breach will be sufficiently serious if it has persisted despite being the subject of a court ruling or it is clear in the light of settled case law. The German purity law was thus not an excusable error in the light of earlier decisions of the European court. Similarly, the nationality condition in the Merchant Shipping Act was contrary to European law.

National rules as to the measure of damages were still applicable so long as these did not make it difficult or impossible to obtain effective reparation. National rules applying national concepts of fault, or which precluded compensation for economic loss caused by denial of the opportunity to market products in other member states, would be inconsistent with the principle that reparation should be effective.

Compensation conditions should not be less favourable than those applying to similar claims in national law. This included the right to seek exemplary damages for unconstitutional or oppressive conduct. The court also rejected a request the temporal effect of the judgment be limited.

C-46/93 and C-48/93 Brasserie de Pêcheur v Germany; R v Secretary of State for Transport, ex parte Factortame, ECJ FC, March 5 1996.

BRICK COURT CHAMBERS, BRUSSELS

INTERNATIONAL PEOPLE

Dillon to head paper giant

International Paper, one of the world's biggest paper companies, has recruited an insider to be its next chairman and chief executive. John Dillon, 57, (left) who joined as a sales trainee 31 years ago, takes over from John Georges, 65, at the end of the month. Dillon has been the obvious successor since he was named as president and chief operating officer last September.

Georges, who was brought in from Du Pont, has transformed International Paper's fortunes. When he took over as chief executive in April 1985, the asset-rich company seemed a sitting target for the corporate raiders who had been attacking the slumbering giants of US industry. Georges has made IP less vulnerable to the wild cyclical swings of the US industry, he has expanded its presence overseas and increased its focus on high-margin specialty products. IP has strengthened its position in many of its key markets by acquisition, culminating in last year's $3.5bn purchase of Federal Paper Board, which created a giant in the bleached paperboard market.

Under Georges, IP has quadrupled its sales to $20bn, increased its net income ten-fold to $1.2bn, and the company's market value has risen by 800 per cent. Georges will remain a director after he has handed over to Dillon. *William Hall*

Thalwitz joins Caspian

Wilfried Thalwitz, a former senior vice president at the World Bank, is the latest big name to sign on at Caspian Securities, Christopher Heath's new investment banking boutique. He will be the partner responsible for the group's business in eastern Europe.

Thalwitz joins a star-studded board headed by Caspian's chairman, Rupert Pennant-Rea, a former deputy governor of the Bank of England. Robert McNamara, 79, the former US defence secretary, joined as a non-executive director last November. Caspian says it is hiring from the public sector because contacts with government are still very important in winning business in those emerging markets, such as eastern Europe's, where the state still plays a big role.

Why senior international public servants should join Caspian is another question. At 64, Thalwitz has enjoyed widespread respect for his work at the World Bank. It is a surprising move for him to risk both reputation and his own money on an attempt to create an investment bank from scratch.

But Thalwitz knows Paul Zuckerman, head of corporate finance at Caspian, from the 1960s, when Thalwitz headed World Bank projects in west Africa and Zuckerman was an agriculture specialist. And Thalwitz, a devoted collector of wild mushrooms, is not the type to go for the safe option. 'I feel energetic and young enough to take the opportunities,' he says. *Nicholas Denton*

Disney books top job

Anthea Disney, 49, (left), is to become one of the most senior women in international publishing as next chief executive of Harper Collins, the book publishing subsidiary of Rupert Murdoch's News Corporation. She replaces George Craig, who will stay on in an advisory capacity after Disney takes up her new position early next month.

Disney, who was born in the UK but moved to the US in 1974 as New York correspondent of the Daily Mail, has risen rapidly through the ranks of News Corp since joining the group in 1989. Before her arrival at News Corp she edited two US magazines, Self and US, and was a senior editor at the New York Daily News. Her jobs at News Corp have included being editor-in-chief of TV Guide magazine, executive producer of Fox TV's A Current Affair news series and most recently editor-in-chief of iGuide, the News Corp Internet site.

Disney's new post as president of Harper Collins puts her in charge of one of the world's largest English language book publishers, which was formed by News Corp after its acquisitions of the publishing companies William Collins and Harper & Row. *Alice Rawsthorn*

LVMH scents change

LVMH, the French champagne and luxury goods group, has hired a senior Unilever executive with a mass marketing background to head its its Parfums Christian Dior division. Patrick Choël, 52, chief executive of Unilever's Chesebrough-Pond's USA, is returning to his native France to run LVMH's Dior beauty products and cosmetics business.

It is the second time in in less than three months that LVMH has had to look outside the group to find a boss for one of its key divisions. In January it poached Jean-Marie Laborde, 47, from Pernod-Ricard, a rival French drinks group, head its Moet & Chandon champagne operation. LVMH's decision to recruit the new boss of Christian Dior from the US is another sign of the rapid changes under way in the world cosmetics industry.

LVMH has some of the best known brand names in the industry but has been facing the problem of sluggish sales growth and rapid rise in the costs of launching new products.

Choël joined Unilever in 1966 and was chairman of Elida Gibbs-Fabergé France before taking over as chief executive of Chesebrough-Pond's USA two years ago. He joins LVMH's Parfums Christian Dior division at the end of April and replaces Maurice Roger, who has been at the helm since 1982. The division generates sales of FFr9.3bn, or about a third of the group's total. Mark Landry, chief financial officer of Chesebrough-Pond's USA, has been made acting chief executive. *William Hall*

ON THE MOVE

■ Viktor Gerashchenko, former Russian central bank chairman, has been appointed chairman of INTERNATIONAL MOSCOW BANK. Former IMB chairman Vladislav Sudakov quit last November. Gerashchenko headed the central bank from 1992-94.

■ Colin Green – currently vice president, business operations, at Allison Engine – has been appointed an executive director of ROLLS-ROYCE, with effect from April 30, when he becomes managing director of the Rolls-Royce Aerospace Group.

■ David Penketh, 52, formerly a senior executive of the Hong Kong & Shanghai Bank Group, has been appointed head of corporate and institutional banking at CREDIT SUISSE NORTHERN EUROPE. He succeeds Urs Landolt, who has returned to the international division at Credit Suisse's head office in Zurich.

■ Samir Naessany has been appointed to the new post of director of financing for major projects at ALCATEL ALSTHOM.

■ Pedro Aspe, 45, has been named to the board of directors of THE MCGRAW-HILL COMPANIES. He was Mexico's secretary of finance from 1988-94.

■ Lee Hon Chiu has been appointed a non-executive director of IMPERIAL CHEMICAL INDUSTRIES, the first Chinese appointee to the board. A well known figure in Hong Kong business circles, Lee was born in 1929 and educated in the US. He is currently chairman and managing director of Hysan Development Company in Hong Kong and deputy chairman of the Garden Hotel, Guangzhou.

■ Boguslaw Kott, president of BANK INICJATYW GOSPODARCZY, has become chairman of Bank Gdanski in which BIG holds a stake.

■ Basil Anderson, 50, chief financial officer of Scott Paper prior to its merger with Kimberly-Clark, has been appointed chief financial officer of CAMPBELL SOUP.

■ Paul Fowler, 48, has been named chief executive of FLETCHER CHALLENGE FORESTS, the international solid wood plantation forestry sector of Fletcher Challenge. He was previously a senior executive in the US operation of BP Oil.

■ Eric Feldstein, 36, has been promoted by GENERAL MOTORS ACCEPTANCE CORPORATION to chief financial officer. He succeeds John Finnegan, who has become GM treasurer.

■ Isaac Omolo Okero is KENYA AIRWAYS' new chairman. He replaces the late Philip Ndegwa. Okero has been a director of the company since 1991.

■ Robert Reynolds, 43, has been appointed to the newly created position of president, FIDELITY INVESTMENTS INSTITUTIONAL RETIREMENT GROUP and will join Fidelity's operating committee. Paul Hondros, 47, currently president, Fidelity Investments Institutional Services, has been appointed to Fidelity's operating committee.

■ David Amer has been appointed chief financial officer of OPTUS COMMUNICATIONS. He was chief financial officer for Qantas Airways from 1991-93 and of Australian Consolidated Press until 1995. He replaces John Greaves, who left in December 1995.

■ Guy Fraser-Sampson, investment controller of the private equity programme of the Abu Dhabi Investment Authority, is moving to MOWBRAY CAPITAL INTERNATIONAL as managing director. Mowbray Capital International is a company in Abu Dhabi advising fund managers in structuring and raising private equity.

■ On April 1 Frederic Sater retires from MORGAN GUARANTY TRUST of New York after almost 36 years of service. Since 1977 he has been one of a small team co-ordinating reserve asset and training activities with central banks and official institutions. Roberta Puschel is now the managing director in charge of the group.

■ Sir Robin Renwick, 58, has been appointed as a non-executive director of BRITISH AIRWAYS. He was formerly UK ambassador to South Africa and in Washington.

■ Stan Wallis, managing director of Amcor, joins the COLES MYER board, with effect from May 1.

■ Clive Cooke, currently chief executive officer of EXCO's fixed income securities broking operation in New York, has also been appointed chief executive of Exco's money broking operations in New York. Joseph Sciametta, president of Exco's US money broking operations, is leaving the company.

■ James Tanner, head of Morgan Stanley Services in Europe, assumes a new role at MORGAN STANLEY ASSET MANAGEMENT, as head of its business for European clients, with responsibility for Morgan Stanley's managed assets throughout Europe.

■ Jerome Tafani has been appointed finance director of MCDONALD'S France.

■ SONY has made two new senior level appointments. Willie Scullion, 55 (above right), is joining as deputy managing director of Sony Broadcast & Professional Europe, with responsibility for broadcast, post-production and pro-audio business operations in Europe, the Middle East and Africa. He joins from Scitex Digital Video Europe. Miles Flint, 42 (left), is also appointed deputy managing director, responsible for Sony Broadcast & Professional's sales operations throughout Western Europe.

■ Abdul Jalil Yousef Darwish has been appointed to the board of the BRITISH BANK OF THE MIDDLE EAST, an indirectly-held, wholly-owned subsidiary of HSBC Holdings. He joined the bank in 1955 and is chief executive officer of BBME's UAE operations and chairman of Middle East Finance Company.

■ Jean-Dominique Percevault, in charge of European affairs at the Schlumberger group, has been appointed chairman of SERVICES PETROLIERS SCHLUMBERGER. Percevault will replace Alain Roger who is retiring.

■ Edouard Rafinon has been appointed by ALCATEL ALSTHOM to head a mission to support the setting up and development of small and medium-sized enterprises, and to help them win new markets abroad.

■ Karl von der Heyden has been appointed a non-executive director of CADBURY SCHWEPPES. He retired from R J R Nabisco in 1993, where he was chief executive officer.

■ Peter Klein joins the board of CITIBANK PRIVATKUNDEN. He is currently executive manager at Citibank Privatkunden and accounting, reporting and controlling manager.

■ Jose Maria Suardiaz Espejo becomes chairman of Spain's RODIO CIMENTACIONES ESPECIALES. He previously worked for Agroman.

International appointments

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EXECUTIVE EDUCATION

The short course comes of age

Demand for intensive programmes has exploded in recent years. Della Bradshaw examines a trend that is seeing academics compete against consultants and in-house trainers

Later this year the business school at the University of Chicago will, for the first time, welcome managers on to its campus to study for a short executive programme. Not a very momentous occasion, you might think.

But this decision by the US's second oldest business school and the last *leading school* in the country to succumb to the lure of the lucrative short course market, could prove to be the final nail in the coffin of the business school ideal of a lofty, academic institution that would not sully itself with non-degree courses.

Chicago's deputy dean Mr Robin Hogarth says that the move was prompted by the academics at Chicago, who, as individuals, were frequently approached by companies to run short courses. But he acknowledges there were some reservations. "Our faculty was always kind of nervous. There was always a sense that this was a slippery slope."

The sensitivity of the subject is reflected in the *school's decision* to allow academics to choose whether they want to participate in executive courses or not. At Cornell, in the US, and London Business School (LBS), in the UK, faculty are also allowed to opt out of the short-course market and concentrate on teaching master of business administration (MBA) courses or on conducting research.

What is open to those who do participate is a slice of a market that is worth hundreds of millions of dollars a year worldwide. It is market that is difficult to quantify and hugely fragmented: providers of executive education span business schools, management centres, *training companies*, consultancy practices, individual consultants and last, but by no means least, the in-house training departments of companies themselves.

The extent of overlap means distinctions between practitioners are becoming increasingly blurred. Business schools now see themselves performing the role more traditionally associated with consultants, while consultants are moving into more theoretical areas, traditionally the sole domain of the business schools.

Such integration may *have* muddied the executive education picture, but two things are clear: the market has been growing over the past decade and this growth looks set to continue. The demands of restructuring, international sales and information technology are *forcing executives to* reconsider their positions. While once it was thought enough to have an undergraduate degree – even an MBA could be considered gilding the lily – additional training is now seen as both an aid to career development and as a *management tool.*

The result is twofold. On the one hand, companies, after years of removing layers of middle management padding, are using executive courses as a way to motivate staff. ("Companies now realise that people create the real long-term advantage – the Japanese have shown us that," says Professor Leo Murray, director of Cranfield university school of management.)

On the other hand, the top dogs in the company are realising that they need executive training themselves. The market for courses for those at board level is burgeoning. Insead, in Fontainebleau, for example, now has three *courses aimed specifically* at the top league of business people; five years ago it had none.

The inclusion of top executives in the executive education sector has been instrumental in spearheading the demand for shorter courses for all *managers. "I meet people* who want general management *programmes* in one to two weeks," says Ms Martine Van den Poel, director of executive education and assistant dean at Insead. "It's extremely difficult to do that."

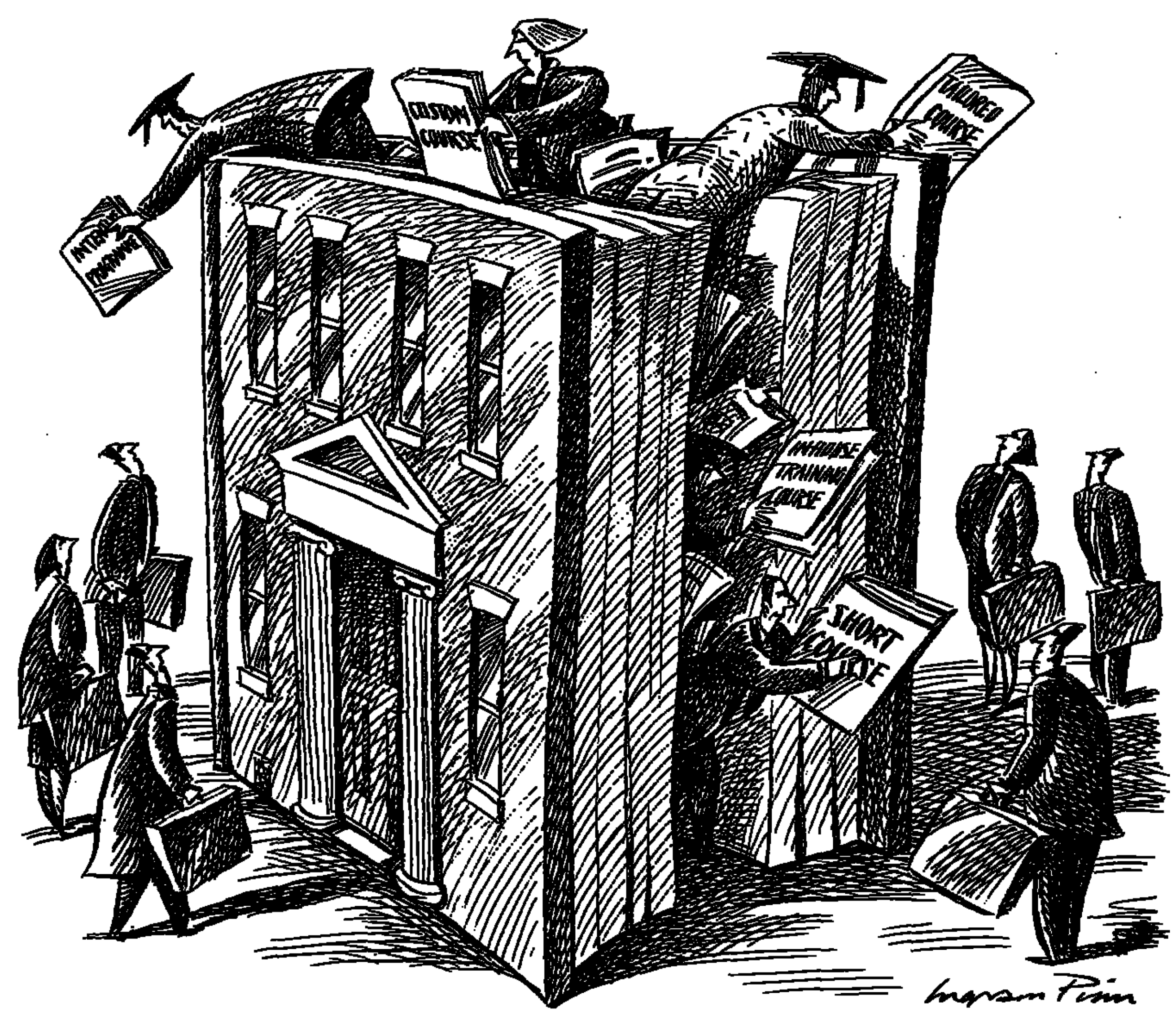
Despite the fact that managers' *requests sometimes seem* unrealistic, there is no doubt that the biggest shift in the market over the past decade has been the increased proportion of the short courses that have been tailored for individual companies. Many of the newer business schools have *built their reputations on programmes* for individual clients. Fuqua School of Business at Duke University in Durham, North Carolina, for example, has custom-made courses for both Johnson and Johnson and Eli Lilly.

Such schools have eventu*ally forced the more traditional* top-tier business schools, which were reluctant to offer tailored programmes on the grounds that the school got too close to the client and so compromised its academic integrity, to move into the market. To date, the mighty Harvard has still only conducted custom-built programmes for some 15 companies; LBS's record, on the other hand, is 30 and Insead's 35.

Those who have pioneered tailored courses are quick to defend their independence, claiming that the information they glean from companies feeds back into the university's research and from there into the degree programmes. "*Researchers enhance their* research by talking to companies," says Cranfield's Professor Murray. "*It's an enormous* benefit to faculty if they are teaching top managers one day, MBA students the next and the next day doing research."

"We're concerned to maintain good relationships with our key clients and understand the work they're doing because it makes our work more relevant," says Professor Bob Galliers, chairman of Warwick *Business school in the UK.* "We know the agendas for companies so we can feed that into our research. It's very much either side of the same coin."

Many schools take the view that by getting close to a client they are building a long-term relationship. "We can help companies over a number of years. Our faculty finds that very rewarding," says Ms Ann Sampson Poe, marketing manager for executive education at the Samuel Curtis Johnson *graduate school of management* at Cornell university.



It also secures long-term rev*enues. Mr Hogarth acknowl*edges that one reason the Chicago school moved into the executive education business was that about half its 30,000 alumni lived in the Chicago area but were having to patronise other schools if they wanted refresher courses.

Many schools make a virtue out of the fact that most of their executive courses are now customised. Last year, 48 *per cent of the short programmes* at the Kenan-Flagler school at the University of *North Carolina at Chapel Hill*, for example, were custom courses but the school predicts that by the year 2000 that figure will be 70 per cent.

Elsewhere, however, there is increasing disquiet over the trend and a belief that schools need to maintain a balance in different types of courses. At LBS, for example, the department has decided to limit its number of "custom" clients *because of the pressures on* faculty time. "We can serve 30 clients well. If we went to 45 clients I'm not so sure that we could serve them so well," says Ms Gay Haskins, director of executive education at LBS. Staff at Insead have reached a similar conclusion.

A further reason for spurning customised courses has been the time it takes to develop them. Whereas 10 to 15 years ago a custom course presented to one company was much the same as that for another – the name on the box changed but little else – the market is now becoming increasingly sophisticated. Ms Haskins reckons that it can take 20 days of development *work with a company before* the course even starts.

Those schools resistant to the idea of bespoke programmes can take heart: the past year has also seen a tentative resurgence in the demand for open courses – general courses that managers from any company can attend. This is seen by business schools largely as a demand from individuals for the security of portable qualifications that can be taken from company to company – the natural result of the cost-cutting and redundancies of recent years.

Just as the demand for certain types of course structure changes so does the choice of topics studied. Gone are most of the courses with the word "change" in the title: managing change it would seem was a topic for the early 1990s. Also consigned to the waste bin are *many courses on brand strategy.* And marketing appears to be less in demand.

The buzz phrases for the late 1990s look set to be "creating world-class capabilities" and "capitalising on knowledge", not to mention "leadership". "Leadership is everywhere," *concludes Ms Haskins.*

A central plank of leadership courses are personal management and behavioural skills, which are proving increasingly popular in many of today's short courses, along with programmes that break down walls between particular management functions. Such "soft" skills are seen as one of the big growth areas. "It's not the touchy, feely wild stuff," says Professor Murray. "It's all about personal effectiveness."

■ **Open courses:** by Tim Dickson

New demand, new ideas

The general programme is back in fashion – with an emphasis on practical solutions

Ten to 15 years ago business schools put on a course and companies supplied the participants. It could be as simple as that.

Then "customisation" became the rage, the recession of the early 1990s cut into training budgets, and so called "open programmes" fell out of fashion.

Many believe this shift has been more structural than cyclical – it is, in other words, here to stay – and yet executive courses open to all-comers remain an important part of the business school "product mix".

Indeed, Mr Arnoud De Meyer, associate dean for executive education at Insead, based at Fontainebleau outside Paris, believes the pendulum has recently swung back in their favour as many companies move from restructuring into a more expansionary phase.

"When businesses are undergoing fundamental change a tailor-made programme for the employees of one enterprise is useful for creating the right spirit, for communicating a consistent message," he says. "Once this period is over, the best managers need to do some informal stocktaking, effectively to benchmark what others are doing. I have the feeling that open programmes are therefore gaining in popularity."

Most reputable business schools run flagship general courses of this kind to prepare individuals with a strong functional skills base for the wider responsibilities of general management. But there is also a host of more specialist "open" options, ranging from short functional programmes on marketing, finance, banking and financial services to courses clearly designed to meet a short-term market need and client demand. Manchester Business School, for example, offers a Money Laundering Programme for those who want to be familiar with regulations related to currency flows and financial instruments outside national legal and tax frameworks.

Given the speed with which new business ideas are replicated by others, however, course innovation is a constant requirement.

Open programmes have a number of inherent advantages, of which interaction with peers from other companies and other countries is probably the most important. Internationalisation (of faculty, students and course material) has been a business school buzzword for some years now, but, given the trend to greater globalisation in business, its relevance remains: the more culturally mixed the participant base the better. IMD, the international business school in Lausanne, Switzerland, can usually point to 25 to 30 different nationalities on its prestigious 10-week Programme for Executive Development.

Getting the best out of such a rich "multicultural" experience will depend both on faculty skill in facilitating discussion and encouraging team-working, and on individuals' willingness to make a contribution. "What you get out of a course like this depends to a large extent on what you put in," one participant at IMD observed last year.

Without careful planning and preparation, precious time can be wasted as participants get to know each other and build up sufficient trust to reveal, warts and all, their experiences, anxieties and ambitions. This process lies at the heart of the business school's wider appeal.

> Managers want material drawn from a school's most up-to-date research

Managers tend to benefit from a non-hierarchical environment if they take the "open" option. On tailored programmes, executives tend to be more conscious of their status in the company, and therefore less inclined to experiment with new ideas and to take risks (for fear, perhaps, of embarrassing themselves in front of colleagues). On open courses, by contrast, everyone starts as an equal, even if participants' titles reflect a range of responsibilities.

For business school professors and programme administrators, the big challenge on a general course is how to provide an overview of the main management functions for a mixed range of students (everyone from engineers and accountants to personnel and IT specialists). It is hard to pitch lectures and discussion at a level that interests specialists and non-specialists alike.

Hence the growing tendency for course designers to build in flexibility, offer options and electives, and generally find ways individuals can customise at least parts of a programme to their own needs.

Other pressures include a growing demand from managers for immediate payback (either in terms of their own career or the impact on their company). "Open programmes are still seen as a short sabbatical, a time for reflection, but people also want to go away with something they can do when they go back to their employer next week," observes Mr De Meyer.

For similar reasons, managers increasingly demand a forward looking approach, and expect to share knowledge and ideas drawn from a school's most up-to-date research. Dog-eared case studies may in some instances have a timeless appeal, but schools can no longer rely on them as the sole teaching method, and their relevance to the real world has to be convincingly demonstrated.

Open programmes seem particularly popular at the moment with senior executives, offering the chance to learn through structured discussion. Ms Fiona Sparkes, marketing manager for executive development at Cranfield University School of Management in the UK, says there has been a significant increase in demand in recent years, particularly for shorter programmes. Cranfield, for example, is staging 40 one-day seminars in 1996, compared with perhaps a dozen five years ago. The school's management development programmes – previously held over three weeks – are now run over 13 consecutive days.

Faculty skills can be particularly important when dealing with the senior executive end of the market – participants seeking a good return from the time and money invested expect academics to be both good facilitators (given the brain power in the "audience") and credible experts in a particular field. People, in other words, with the ability to inject their own ideas and to listen to others at the same time.

■ **Customised courses:** by George Bickerstaffe

The 'bespoke' bonanza

The tailor-made approach changes the relationship between trainer and client

A decade ago some business schools were resistant to the idea of designing management education programmes specifically for one company.

Academics were concerned that working with client companies could affect their independence. They feared that companies might play too large a role in setting the content and deciding who should participate and were worried by the relationship between the diagnostic work involved and consulting.

But such views are now rarely heard. European institutions such as London Business School, which has a strong mix of both open and company programmes, say they like tailored courses because they offer opportunities for gathering materials to use in other programmes and allow involvement in a company's development strategy.

The European acceptance of the custom-built approach is, in part, the natural consequence of an acceptance of executive education in general.

"Teaching executives has the same status here as any other kind of teaching. It's one of our core businesses," says Mr Arnoud De Meyer, associate dean and head of executive education at Insead, outside Paris. "In some other schools – though it's changing – executive education is still seen as a little bit low-status."

Certainly, in the US executive programmes have in the past been somewhat secondary to degree programmes – particularly the MBA and PhD. Historically, only Harvard Business School invested significant resources in building executive education into its mainstream activity.

That has changed over recent years, however. Schools such as Kellogg, Michigan, Columbia and Cornell have made hefty investments in executive education.

Significantly, the Graduate School of Business at the University of Chicago opted to enter the market last September with a small unit devoted to customised programmes. Open-enrolment programmes will follow once a director for executive education is appointed.

Much of the growth of tailored programmes has been driven by demand from the corporate sector.

Mr Jeff Ramsbottom, director of executive education at Manchester Business School, which has traditional strength in company programmes, describes the changes that have happened: "Ten years ago we produced packaged programmes and we had people queueing at the door for them; then five years ago we had tailored programmes where we said we will tailor these programmes for a specific company.

"Now we have custom programmes where we effectively sit down with a company and a blank sheet of paper and say 'what is it that you want for your management development needs?' as well as thinking about what it is they need."

The global foods group Cadbury-Schweppes, which uses customised programmes almost exclusively at all levels, has recently completed a company-specific programme for 200 senior executives worldwide that it put together with Insead.

Flying the flag: Harvard, known for commitment to executive education

"It meets our needs in terms of value for money per participant, instilling best practice throughout the group, and allows our managers to network," says Mr Bob Stack, group director for strategic human resources.

Companies, as Dr Ramsbottom points out, are now much more knowledgeable and increasingly develop their own agenda for management development.

Mr James Pulcrano, director of marketing at IMD in Lausanne, perhaps the top European school for executive education, points out that this increased awareness "makes it stimulating but also difficult. You really have to do your homework".

IMD largely restricts its customised programme to "business associate" companies – which have a close relationship with the school.

This partnership element, analogous to the close relationship between a manufacturer and its suppliers, is a growing feature of most modern customised programmes. Again, it is a trend driven by the corporate sector.

Companies want management development providers – not just business schools – they trust and whom they can bind tightly into their development strategies. Similarly, many business schools and other providers are looking for close relations with just a small group of clients.

"I really believe that companies that work on several dimensions with us get far more out of us than those that buy on a one-off basis," says Insead's Mr De Meyer.

Similarly, IMD sees itself developing ever-closer relations with leading business clients in the future. "As a result, we will be involved in great depth with those clients," says Mr Pulcrano. "That means us getting to the real meat of strategy and implementation with them."

Company-specific programmes are not the exact reverse of open programmes and the two are certainly not mutually exclusive. Indeed, most large corporations use a mix of both, though some, such as Cadbury Schweppes, only send managers on open programmes for very specific and targeted reasons.

Where customised programmes differ is in offering companies greater control over the content and direction of a programme, allowing them to fit it into their strategic aims.

Tailored programmes are most effective for the development of relatively large numbers of managers during a significant shift in corporate direction – either a strategy change or a reaction to change – whereas open programmes are seen as a way of refocusing people.

Insead's Mr De Meyer sees a continuing demand for programmes designed to help companies face new challenges. "They say to us 'we have a problem, it's not life threatening, but can you help?'"

Such is the current trend towards company-specific programmes that it can be hard to understand why companies should go a different route. But there is a down side.

For a start, while cost-effective for large numbers, customised programmes can be so expensive that they are almost always the preserve of large companies. Indeed, it has been argued that in the future the only organisations that will use open programmes are small and medium-sized enterprises.

Furthermore, company-specific programmes offer no contact with managers from other corporate cultures. Mr Stack of Cadbury-Schweppes accepts this might be a disadvantage, but comments that multinationals like his own are so culturally mixed that managers are exposed to other approaches anyway.

"There can be a problem with them being too internally focused," he adds, "but we had a ground rule that Cadbury-Schweppes was not mentioned until the last day. The whole programme was very externally directed."

Even so, many companies continue to send senior executives on open programmes so that they can broaden their perspectives, mix with other corporate cultures and establish a personal network.

There are signs that open programmes are beginning to stage a comeback, at least in Europe. Mr De Meyer at Insead talks of a "better balance" between the two types of course. Nonetheless, there seems little doubt that for most managers of the present and future executive education will be custom-built.

■ **Consortium programmes:** by George Bickerstaffe

The best of both worlds?

Courses designed for a group of companies are popular – but not universally so

Consortium programmes are a form of executive education that is growing in popularity.

Generally they involve between three and six companies, usually operating in widely different industries, co-operating with a business school to design a common development programme for their employees.

Consortium programmes are reckoned by many to combine the best of both customised company-specific programmes and more traditional open-enrolment programmes.

The thinking is that companies will be buying an educational experience for their employees that is relevant to their own company but wide enough to gain some of the networking and "broadening" that are claimed as two of the biggest advantages of open programmes.

London Business School, well known for its expertise in financial programmes, has set up an Executive Development Consortium that includes British Airways, British Telecom, Lloyds Bank, Marks and Spencer, and Vauxhall Motors. LBS says the programme gives a better perspective on leading management issues, focusing on the particular problems of each manager's company.

Another typical example is the Integrated Management Development Programme (IMDP) at Cranfield School of Management. The IMDP was launched last year to meet in-company training and development needs while maintaining a broad outward and forward looking approach, partly as a response to new organisation structures and to ideas of teamworking that require greater emphasis on managerial, interpersonal, creative and conceptual skills.

The initial consortium was made up of ICL, Midland Bank, the RAC, Royal Insurance and W. H. Smith. Mr Chris Evans, head of personnel for Royal Insurance, comments that "the key benefits include the development of skills necessary to benchmark performance against best practice across each of the consortium companies".

The programme has now run three times, with some changes to the consortium members.

Around four managers from each company take part in the programme, which covers two modules of four and half days each. The programme focuses on delivering improved business performance through better decision making, a more strategic outlook and increased awareness of managers' individual contribution to results.

Notwithstanding the apparent success of the IMDP, consortium programmes can be difficult to organise. One of the obvious problems is getting a group of reasonably like-minded organisations to agree on content. For this reason, almost all consortium programmes are set up on the basis of non-competing companies or industry sectors.

However, some have been deliberately designed for companies within one sector.

Insead, a leading European business school outside Paris, for example, has formed the Inter-Alpha Banking Programme to develop bank-specific managerial skills for managers from 12 leading European banks. It has set up a similar programme to address key strategic issues facing five insurance groups.

An even more targeted programme has been created by Insead for the computer manufacturer, Hewlett-Packard, and companies involved in the distribution of its products. The aim is to focus on the business management issues raised by changes in the computer distribution industry.

However, the current trend in consortium programmes is to turn what have traditionally been nationally based programmes into much more international ones.

LBS, for example, is launching a Global Business Consortium, designed to accelerate the ability of companies to create and sustain global competitive advantage.

Insead's general management Alpha programme is described as "a programme in international management". The consortium members are truly global, including Ahlstrom, British Steel, Colorplast, Dow Corning, East Asiatic Company, Elkem, Herman Miller, ICI, Incentive, Repola, Rockwell, Solvay and Westland.

Not all business schools favour the consortium approach, however.

At least one leading European school comments that it has had "mixed experiences" of consortium programmes. It believes that the key issue has to be a real commitment by the companies involved. Too often, it says, companies devolve all the responsibility to the business school rather than "regulating themselves". It also comments that real problems can arise when new companies are recruited into existing consortia.

Even so, the consortium idea is gaining currency. The concept has, for example, already been effectively transferred to the MBA market, with companies and a business school joining together to offer an MBA degree.

Such programmes have supporters among companies and business schools. They argue that what industry needs is an MBA that makes existing managers more effective in their jobs, not a programme that appeals to relatively young individuals in pursuit of a springboard to a career change. They suggest that programmes should be judged on output (better managers) rather than input (academic rigour and international diversity).

It is for this reason that consortium and Executive MBAs (see story, opposite) can be argued to be forms of management development rather than "academic" programmes.

However, this is also a reason why consortium MBA programmes are controversial and why some leading schools have deliberately set their face against them – LBS and IMD in Lausanne being notable examples.

The argument is that consortium programmes, however well chosen the member organisations, miss out on the very fact that makes the MBA such an attractive and useful way of developing managers – high academic rigour and teaching based on leading-edge research and exposure to a wide range of individuals with very diverse backgrounds and experiences.

Supporting the common plan: M&S is part of LBS's Executive Development Consortium *Colin Beere*

■ **Executive MBAs:** by George Bickerstaffe

America shakes up market

The US bid to internationalise the degree course sets new challenges for European schools

Many regard the Executive MBA (EMBA) as the Rolls-Royce of executive education. And it is a type of part-time study that is growing in popularity, especially in the US.

Traditional EMBAs involve companies sponsoring their brightest up-and-coming executives to study for the degree. The schools' standards are rigorous. Most demand considerable work experience – frequently as much as 10 years – and offer little opportunity for evening study. The sessions are generally held at weekends, typically a Friday and Saturday or alternating Fridays and Saturdays. There are often large modules of residential work and even foreign field trips.

Because of the company involvement, many business schools charge premium fees for their EMBA programmes, even though they often bear only a passing resemblance to their mainstream MBA output. In return for high prices, the programmes offer prestige, attract the best faculty and are usually innovative and experiential.

Apart from the price, companies like these programmes. They satisfy the yearning for an MBA, help retain their best executives and combine theory and work experience in a way that can be of great value to an organisation.

However, the EMBA is changing – and these changes are being led by the US.

American business schools are starting to take the executive MBA global and are targeting the international market, sometimes to the chagrin of non-US schools.

The charge was led by the Graduate Business School of the University of Chicago, one of the top American schools. In July 1994 it inaugurated an International Executive MBA based in Barcelona. The idea was to attract high-level European managers with the prospect of an 18-month programme based on 14 weeks of residential sessions – split into one or two-week modules and course-related assignments – and a full MBA degree from a top-drawer US business schools.

Although the intake is currently a little below the targeted 80 executives on each programme, the results have been good. The first class of more than 50 students will graduate in mid-March and around 35 are planning to travel to Chicago to take part in the graduation ceremony. And, contrary to expectations, students have been drawn from farther afield than Europe.

"We've been surprised how far people are prepared to travel – we have students from Africa, Asia and the Americas," says Mr Robin Hogarth, deputy dean for MBA programmes at Chicago.

> If the future is global, schools will have to fight to join the bandwagon

He adds that students like the modular structure and the international mix of participants. Mr Hogarth has also been surprised by the high ratio – around 20 per cent – of students who are paying their own way, rather than being fully or partially sponsored by their companies.

"Most are entrepreneurs or from entrepreneurial or family companies," says Mr Hogarth, "but it's still a larger figure than we expected."

Chicago would probably like to "export" the concept elsewhere – Asia or Latin America have obvious potential – but the problem is faculty resources. The school made an early commitment that its programme would be a Chicago MBA run by the Chicago faculty.

Indeed, an early and international objective of the programme was the internationalisation of Chicago faculty. And according to Mr Hogarth this is working well. "Faculty is enriched by going abroad and developing overseas material and it brings that back to the US," he says. "In addition, the modular structure is bringing our faculty together because it is able to integrate its teaching in Barcelona. And, finally, the domestic EMBA has been greatly internationalised by the cross-over with the international EMBA."

Although there are rumours of many other American schools entering the market (Chicago's neighbour Kellogg is planning a joint MBA with IAE in Aix-en-Provence, France). Chicago is not planning any big changes to the format and structure.

In particular, says Mr Hogarth, it is not about to introduce a distance learning element. "There is already a lot of contact by fax and e-mail between students and Chicago – a type of 'distance tutoring'," he comments. However, he does expect a strengthening of communications links between Barcelona and Chicago in the future. "Contact with Chicago – and between the students – is vital," he says.

An even more ambitious programme that does include a large distance learning element is being launched this summer by the Fuqua School of Business at Duke University in North Carolina.

Fuqua's Global Executive MBA (GEMBA), which will start in June, combines residential classes across three continents – the US, Asia and Europe, with a large slice of the latest in distance learning via information technology. Indeed, a big chunk of the programme is designed to make executives familiar with the information superhighway.

Like the Chicago course, the 19-month programme will lead to a full MBA degree and is based on the core curriculum of the regular Fuqua MBA. Students will spend 11 weeks in residential classes in various locations around the world and the rest of the time working on assignments and keeping in touch via e-mail, the Internet, group-working software and CD-ROM multimedia course work.

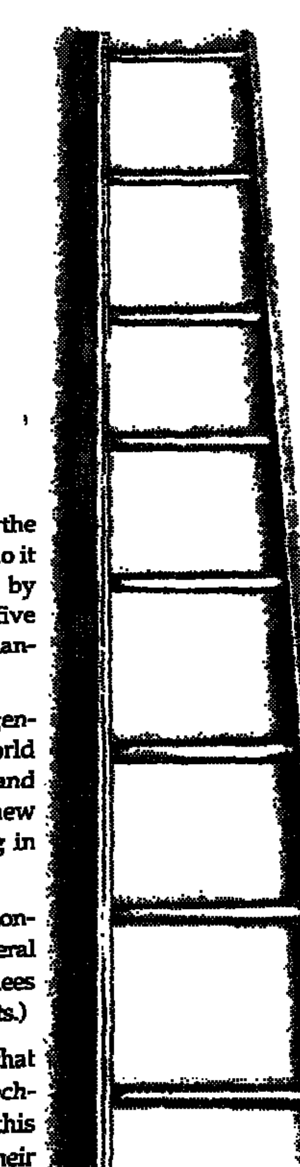
Reaction to this American development in Europe has been mixed.

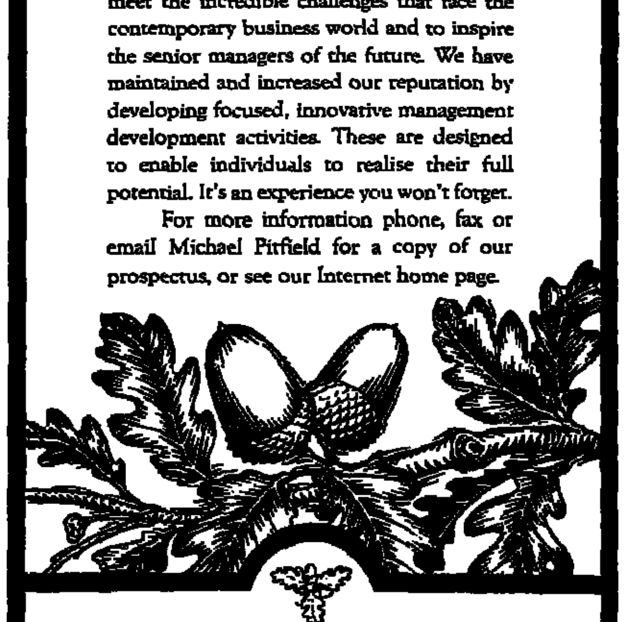
Privately, a number of European business schools will huff a little about it, though some also see the presence of leading US schools as adding to the profile of the market.

But the real question is where the EMBA is going. If internationalism is the future and if distance learning is to be a significant element of programmes, then many business schools will have to start working hard and fast to catch the bandwagon.

On the other hand, Chicago's Mr Hogarth emphasises that "this kind of internationalism is not the way of the future – only part of the way. There is a need for development for people who shift around the world, but there is also a need for domestic programmes".

Even so, the EMBA seems to be undergoing the kind of curriculum re-evaluation that hit the mainstream full-time MBA programmes in the early 1990s. The only certain thing is change.





Covering the waterfront: the IBM facility at Eversley, Hampshire, is developing a full range of programmes with Manchester Business School

■ Alternative approaches/the IBM business school: by Tim Dickson

In-house unit expands

A look at what IBM's training facility offers to both internal and external managers

The profile of the best international business schools may have grown substantially in recent years, but the biggest slice of the management education market can be found inside large companies.

IBM UK is a case in point. Over the past 10 years the giant computer company has built up its own facility at Eversley, Hampshire, which now provides training for other businesses as well as serving its own staff and customers. IBM Business School, as the unit is known, boasts a full time teaching department of 18 people, at least three times that number of occasional lecturers with a "kaleidoscope" of different skills, and an annual budget of £8m.

The school has played an important part in IBM's own business transformation in recent years. "We started off providing support skills for our field sales staff," explains Mr Geoff Berridge, the school's head. "But we developed as the company needed to invest in new competencies, change its culture, and expand into new business areas."

Mr Berridge says that there is a particularly strong emphasis on consulting, marketing and project management – activities that reflect today's leaner, more service-orientated IBM. Programmes run "for a few days or many days" and, in a single year, 5,000-6,000 people – ranging from senior managers to new graduate recruits – can pass through the Eversley doors.

Another area where the IBM business school reckons it has strong expertise is the link between business and information technology strategy. Open programmes are frequently run for the company's customers with an emphasis, according to the executive consultant, Mr Jack Sherwood, on "how the CEO can drive technology to the company's benefit".

Mr Sherwood says IBM "can

> Companies approach IBM for custom-built courses

do the classic Michael Porter stuff on strategy if necessary", but IT delivery is usually the key. He acknowledges that the company is sometimes perceived as self-interested, but emphasises that the school consciously distances itself from IBM's own marketing.

IBM has worked with Southampton University Management School and Henley Management Centre – but last year it established a more formal link with Manchester Business School "to develop a full range of marketing and management development education". Part of the motivation is to offer high fliers a "business view" as well as a "skill specific view" through participation on the company's specially tailored MBA course.

IBM "students" who gain the marketing diploma (taught by Manchester and accredited by the Chartered Institute of Marketing) receive a credit for the modular programme, whose first intake starts work this month. "Doing this obviously requires a commitment of evening and weekend time, from individuals and their business managers," says Mr Berridge, adding that IBM would like to combine forces for the MBA with another blue-chip company. The three-year programme is initially teaching intensive, but is followed by a research and writing phase that links back into the manager's work with the company.

IBM UK's business school has recently become part of the group's worldwide education and training business, whose headquarters is based at La Hulpe, outside Brussels. The idea is to pursue an integrated company-wide strategy in this area, against the country-by-country approach that has tended to prevail in the past.

Besides providing programmes for IBM's own employees – on a cost recovery basis – the IBM Business School believes there is potential to sell its service to more external clients. Non-IBM people can attend open programmes, but it is more usual for companies to approach IBM as they would any other business school and ask it to design a custom-made programme. "They are often companies like us, selling products with a high unit value in highly competitive markets, and operating close to the boardroom of their customers."

One such company is Visa, which has a wide range of sophisticated products to market to members of the Visa network. Because of the complexity of these products, Visa sales staff have been highly trained in terms of technical knowledge and product understanding. It became clear, however, that staff needed more specialised sales and communication skills. "The nature of the business means that people often come into sales from other parts of the organisation," explains Mr Derrick Ahlfeldt, human resources director of Visa International. "They rarely have experience of professional sales techniques and we recognised that there was a skills gap that had to be bridged."

Besides price and flexibility, Visa was attracted by IBM's background in this area. The two partners developed Visa-specific role plays and a special Visa case study, and held the 17 days of training in four residential modules over a period of several months.

Mr Berridge acknowledges that most of IBM's programmes are specific to business activities – with an emphasis on influencing the client in consultancy training, for example, and on risk techniques in project management. Other issues are injected but the MBA programme, he says, "is where the connections are made explicitly".

■ Alternative approaches/the Disney University: by Della Bradshaw

Lessons from Uncle Walt

Why English Lake Hotels spurned traditional schools in its quest for a new service ethos

Although Lake Windermere, in the heart of the English lake district, has been the home of many of Britain's most famous writers and artists, it is not their influence that determines the cultural flavour of the service offered at some of the local hotels.

At the four English Lakes hotels that surround Windermere, the mode of hospitality has been firmly moulded by Florida sunshine rather than Wordsworth's English countryside, and by Mickey Mouse rather than Beatrix Potter's Peter Rabbit or Jemima Puddleduck.

The decision to go to the Disney University in Orlando to develop a service culture for the hotel and conference group was taken by English Lakes Hotel's marketing director, Mr Simon Berry. He wanted to do away with the "us and them" culture that existed between the management and the rest of the staff – waitresses, porters and chamber maids – and so increase morale.

Son of the managing director of the family-owned business, which also runs a hotel in nearby Lancaster, Mr Berry scoured British business schools and colleges for appropriate courses. But, he says, drew a blank.

"We wanted to develop a service culture that was not academic but practically based," says Mr Berry, who himself trained as a chef at the Savoy. Disney, he says, was "practising, not just preaching" a service ethos.

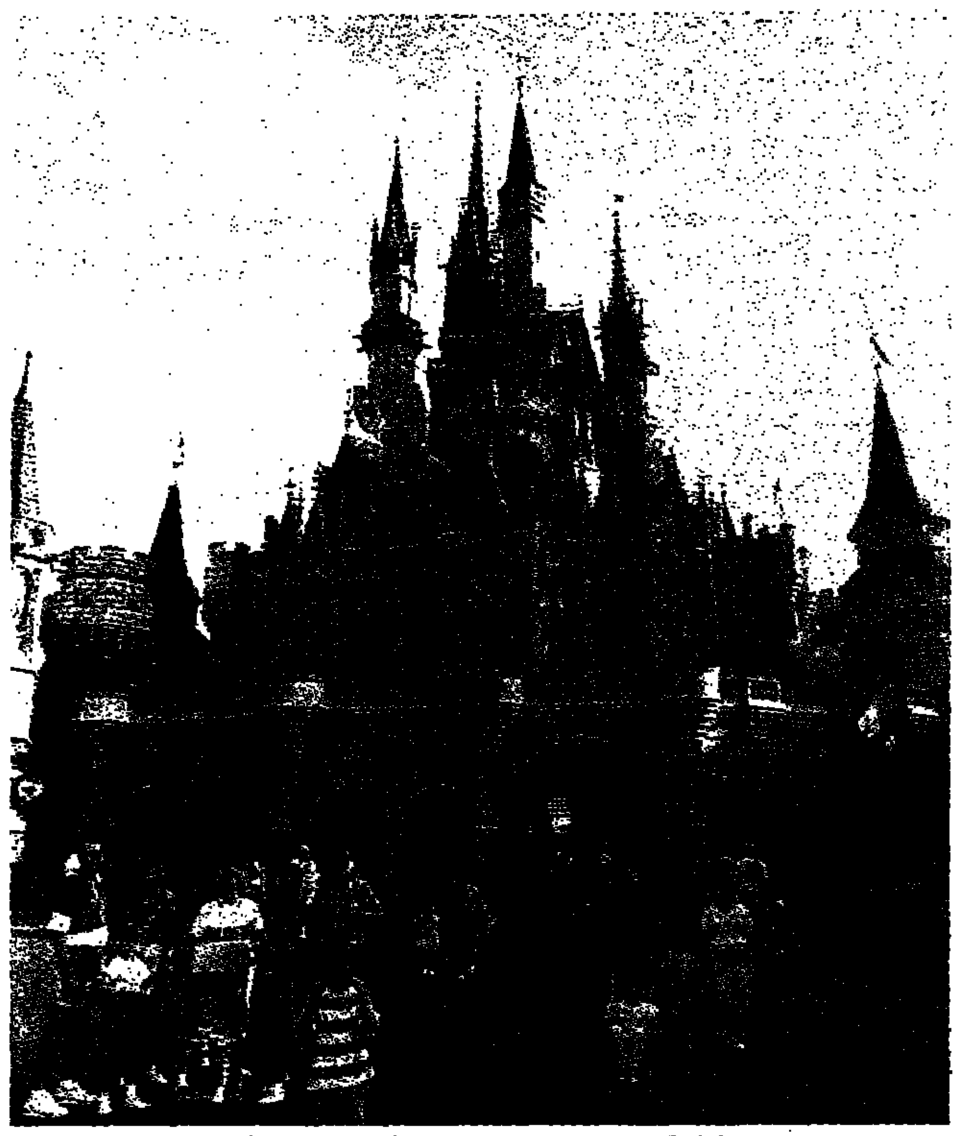
In September 1994 he and three other directors from the operations side of the business boarded the aeroplane to Florida for a four-day course in the "Disney approach".

Although the practices learned had to be stripped of their peculiarly American flavour and then adapted to the specific needs of his company, Mr Berry believes that there have been many tangible benefits.

"We came back and developed a cultural approach to quality rather than a systematic approach to it," he says.

The Disney University professional development programmes are just one example of in-house training programmes that have been adapted and sold for external consumption. Motorola, the US electronics and communications company, for example, which spends $170m a year on training, most on in-house programmes, has opened some of its courses to outsiders. In particular, Motorola trains its suppliers and other associated companies. Like Disney, it has decided to dub its training facility a "university".

The computer company IBM, which, again, has invested heavily on in-house training, has also opened its doors to non-IBM staff.



Tower power: Disney World is said to have a lot to teach managers about staff relations Trevor Humphries

Since Disney University began its management training programme 10 years ago, some 35,000 business people have studied topics such as people management, quality of service and leadership there. The company's latest course combines the best of two of the longer courses in a two-and-a-half day programme designed specifically for busy senior managers who may not have the time for longer courses.

> Other recruits are from industries such as banking and insurance

Surprisingly, it is not just hotel or restaurant chains that want to learn the secrets of the Disney customer culture. The latest recruits to beat a path to the door of Disneyworld are from industries such as healthcare and banking and insurance, all eager to brush up on customer relations.

As well as the traditional seminar and lecture approach to training, managers are taken behind the scenes at Walt Disney World in Florida to see how the theme park is managed and to soak up the culture. In particular, participants are shown how the "cast" members – the name given to all employees, from cleaners to tour guides – are employed and trained. There are 37,000 "cast" members in Florida alone.

For those who see such courses as promoting cultural piracy of the worst kind – all plastic smiles and artificially lilting voices – Mr Berry counters by pointing to the benefits his company has gained. Much of what the managers learned on the course, he says, were things that were already at the back of their minds, but had not yet been articulated. One "quite phenomenal" thing the company took on board, says Mr Berry, is that 90 per cent of good ideas in a company come from the bottom 10 per cent of the workforce.

To break down the barriers between managers and the rest of the staff, and to encourage the flow of ideas, Mr Berry introduced a two-day training course for all of the 260 full-time and 50 part-time staff over a six-week period. Whereas previously staff were given minimal training, all new recruits are now sent on a one-day course.

Mr Berry has also just introduced the first company conference, which was run as a three-hour game show. "It was great fun. One thing we learned from Disney was that things must be entertaining," he says.

To improve communications, a newsletter, written by the staff, has been launched.

Quality circles have also been set up in each hotel to analyse the work of each department and make suggestions about how things could be improved.

There has been no shortage of ideas to improve revenue flows. At one hotel, for example, the dining room that overlooked the lake was freed up to serve morning coffee and afternoon tea by not setting the tables for formal meals during the day.

At another hotel, wine sales were increased by recommending certain wines to go with certain dishes on the main menu.

Not surprisingly, Mr Berry admits that the hard part of the exercise was developing the communications between staff in order to identify and implement the ideas. In good Disneyspeak he acknowledges: "It doesn't happen with pixie dust".

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■ **Courses for board members:** by Della Bradshaw

Classroom at the top

Senior managers now see learning leadership skills as a prerequisite for future success

Until very recently executive education was deemed the province of the middle manager or the up-and-coming young executive. It was certainly not for the top dogs.

But as the business climate continues to change, with the need for company directors to think globally, cut staff numbers and implement information technology strategies, attitudes are changing too. Many board directors now concede that they need to return to the classroom if they are to steer their companies successfully into the next millennium.

"You can still get to the board of a very senior company and still not understand a balance sheet," points out Mr Philip Sadler, formerly chief executive of Ashridge Management College, in the UK.

Such gaps in knowledge mean, Mr Sadler believes, that executives increasingly feel that they need to retrain several times during their career, a realisation that has been fuelled by the fashionable concept of the "learning organisation".

The result is a demand for board level courses that has been "unprecedented and is unlikely to diminish", according to a spokesperson for IMD in Lausanne, the European specialists in executive education. Other business schools, consultancies and training organisations report similar demands.

In the UK, four organisations, Ashridge and Henley Management Colleges, the Institute of Directors and Manchester Business School say that their joint course on "Joining the plc board" is oversubscribed – both by boardroom newcomers and established board members.

The challenge for business schools and consultancies alike has been to fulfil this burgeoning demand for board level courses within the restraints of the time restrictions such senior people require. "As one American director put it to me, 'If I can let a senior manager go for three weeks I can probably let him go for good,'" says Mr Jeff Ramsbottom, director of Manchester Business School's executive centre.

For many busy executives the 11- or 12-week advanced management programmes (Amps) run by the likes of Harvard Business School and Templeton College, Oxford, among others, are simply too long. The latest such course, the Amp in Scotland, the first session of which will be held at the University of Aberdeen in June this year, tries to overcome the problem by condensing the teaching into just two weeks.

Elsewhere, training organisations are taking the traditional six or 12 week course and breaking it down into modules so that it can be studied over a one or two-year period. For example, the owner/president management programme (OPM) at Harvard, which is designed for those who run their own companies, comprises one three-week unit every year for three years – nine weeks in total.

Course content on these board level courses is likely to focus not on management but on leadership, hence course titles such as Insead's Leadership in Organisation.

Whereas many such advanced management courses rely on the case study approach to teaching executives – the same method as that employed on most master of business administration (MBA) courses – the directors of many shorter courses for top bosses believe it is the interaction of the participants themselves that provides the best opportunities for learning and growth.

Instead of faculty lecturing, the course is likely to have a "facilitator" who brings the executives together and helps steer discussions.

Meetings of this kind are often designed to counteract the "corporate myopia", as one course provider puts it, that pervades many large organisations where executives only talk to their fellow directors.

But most course providers trade on the theme that it is "lonely at the top", and that chief executives have no-one to bounce ideas off within their own organisations. By meeting their peers from companies facing similar problems they can share their corporate worries.

One such forum is provided by the five-day Avira programme, run by Insead, in Fontainebleau, which has three courses aimed specifically at the top league of business people. (Avira stands for awareness, vision, imagination, responsibility and action.) Course organiser Mr Henri-Claude de Bettignies carefully interviews all the prospective participants before they attend the course to ensure that the chemistry between the executives will work and that each participant finds the course fruitful.

The bounds of the programme itself were determined after the results of 50 interviews with executives were analysed to determine what were the burning issues for them. To reflect the international character of the participants, the meetings on the Avira programme are held in Singapore and California as well as France.

Such programmes are replacing the traditional stamping grounds of board directors, the international conference circuit, says Mr Arnoud De Meyer, associate dean of executive education at Insead. He believes that such informal gatherings neither alter the way executives behave nor enable them to develop their own management style.

Nevertheless, executive briefings, a combination of conference and course, are continuing to prove a popular option. CSC Index's Senior Management Interchanges programme, for example, is a meeting-based course intended to expose up to 40 managers at a time to the latest theories from business people and recognised management gurus. Participating companies pay £12,000 to sponsor 10 sessions a year – each session lasting one and a half days.

Such gatherings bring executives together with international speakers of the calibre employed by the top business schools and are frequently patronised by several executives from a single company, to consolidate a common management language and act as a catalyst for company change.

In spite of the growth in demand for board level courses, it is still very difficult to persuade many managing directors or chief executives that they need training, says Mr De Meyer – be says it one of the biggest problems that Insead faces in running board level courses. The other problem, he says, is that even when executives have signed up and paid for the programmes they are often simply too busy even to turn up.

Ashridge: its 'joining the plc board' course – co-run with three other organisations – is always oversubscribed

A lexicon of management learning

Della Bradshaw defines the words that dominate the world of the business student

AMPS, otherwise known as advanced management programmes, are traditionally aimed at managers approaching the top rung of the corporate ladder. Harvard Business School has been the most prominent institution providing such courses, although a handful of other schools, such as Templeton College, Oxford, also offer Amps. The latest such course is the Amp in Scotland, the first session of which will be held at the University of Aberdeen in June this year.

BRAINSTORMING is the latest technique employed by business schools for getting the best out of senior executives. Top bosses sit around while the "facilitator" – the person who helps the process along – draws out the business issues.

CASE STUDIES are still the bread and butter of many an executive education course, especially those that last for several weeks. Rolls-Royce of the industry, Harvard, leads the rest in this approach to teaching.

DISTANCE LEARNING is becoming increasingly popular as it allows managers to tailor their study around their work commitments. This is the area where technology is playing the biggest role in delivering information to students. In the US, for example, nine leading business schools are working with the satellite company Westcott Communications to provide teaching via satellite.

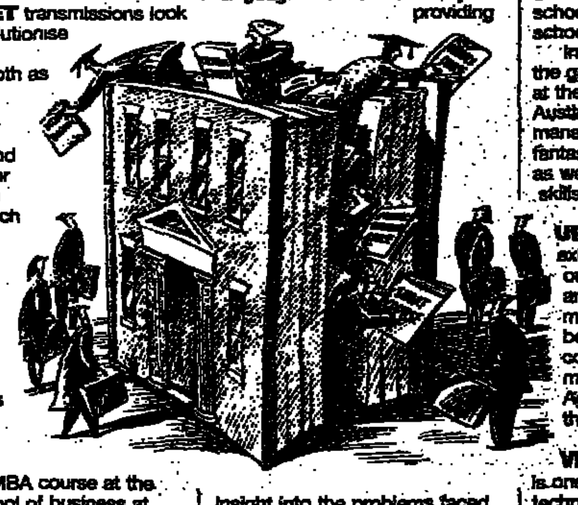
ENTREPRENEURSHIP is increasingly appearing on the list of executive courses run by business schools. It is not just the 27-year-old whizz kid who can benefit from such courses, say the schools. The largest corporations can introduce entrepreneurial skills to improve business performance.

FACULTY, or instructors, are central to the success of a course. The good news for executives is that most business schools reserve their star performers for executive courses, leaving the recently qualified academics to cut their teeth on the less hard-bitten MBA or undergraduate students.

GLOBAL leadership skills, or the lack of them, are probably the single biggest reason for executives to attend short courses. As a result, courses that deal with cross-border operations are raking in the dollars for the business schools.

HIGH LIVING is not usually synonymous with study, but some courses, such as the executive MBA run by Liverpool Business School, hold study weekends at luxury hotels or other upmarket locations.

INTERNET transmissions look set to revolutionise executive courses, both as a way of delivering courses to students and as a way for students to keep in touch once the actual course has finished. Internet technology is already being heralded as a strategic feature of the global executive MBA course at the Fuqua school of business at Duke university in the US.



JARGON rules in business education, from "empowering the facilitators" to "re-engineering the cross-functional teams in the learning organisation"... the list is endless.

KITH AND KIN – they are the ones who will suffer when you go off on a five-week executive course.

LEAGUE TABLES abound in the US, listing the schools according to a variety of criteria. In Europe the only way to choose a school is through reputation and recommendation.

MODERN buildings, designed specifically to house and educate students on short residential courses, are springing up all over business school campuses. The first to build such a centre was the Kellogg graduate school of management at Northwestern University, near Chicago; the most recent, Cranfield University in the UK, which put up a £6m management development centre.

NVQs, or national vocation qualifications, were devised in the UK as a set of qualifications that accredited practical learning and achievement as well as the purely academic. The biggest success for NVQs has been in retraining women who want to return to work after a career break.

OVERSEAS STUDY can benefit managers by improving language skills as well as by providing insight into the problems faced by overseas students.

PHYSICAL EXERCISE is the hallmark of the outward bound variety of short management courses – where leadership qualities are developed through sweat and hard work rather than contemplative study.

QUALIFICATIONS are rarely the end result of executive courses, with the exception of the executive MBA. Nevertheless, open courses from some of the more prestigious universities – Harvard in particular – have the status of a portable qualification.

RECOMMENDED reading for those wanting to do more research into available courses include: "Bricker's International Directory of university-based executive development programmes 1996", published by Peterson's, in Princeton, New Jersey ($325 - £211); "Which Executive Programme?", published by the Economist Intelligence Unit, in London (£145); and "International Executive Development Programmes", published by Kogan Page, also in London (£75).

SUCCESSION is a perennial problem for family-owned businesses. For those who want to see their offspring take over the business there are specialist courses, such as the one run by IMD in Lausanne, to help.

TRADING FLOORS are one of the more recent developments in US business schools, such as the Sloan school at the Massachusetts Institute of Technology and the graduate school of business at the University of Texas, in Austin. At these places, managers can act out their fantasises as Wall Street traders as well as learn more practical skills.

UPWARDLY MOBILE executives who want to move out of a functional speciality and into more general management are the main beneficiaries of PMD courses – programmes for management development. Again, Harvard specialises in these 12-week courses.

VIDEOCONFERENCING is one of the handful of technologies being increasingly used on distance learning courses. Eventually, it could enable an academic in one location to lecture to thousands of students on numerous sites across the globe.

WOMEN ONLY COURSES are growing in number and popularity, particularly those aimed at educating women to get to the very top.

XENOPHOBIA will be noted by its complete absence on most open programmes. One course could have students from 30 or 40 different countries on it.

YOUTH is becoming as much in demand as experience. Courses specifically for young executives are being run by several schools, including Insead in France.

ZEAL is a prerequisite for many short courses. But hard work pays off for many who zoom to the top.

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Current ideas on Japan

A current account deficit in Japan? This once-in-five-years phenomenon tends to inspire passionate and conflicting interpretations. To some it will be a bigger than average monthly blip; to others, a conclusive sign that the Japanese economy has finally learned the art of the import.

There is a bit of the blip about the figure. January is an unusual month in Japan. When executives return to work after the new year break, their first corporate obligation is to pay courtesy calls on old customers, not hunt for new clients. And the travel account is deep in deficit with the seasonal rush abroad by Japanese tourists.

But exports tend to surge in February, so it would be a surprise if a thin Y1.9bn January deficit did not revert to form and to surplus over the next couple of months.

That should not obscure a deeper trend. The Japanese economy is undergoing a gradual personality change. It is more import- and consumer-driven, and a little less obsessive about exports. These traits are behind the qualitative difference between this monthly deficit and that of January 1991.

Back then, imports were being ravenously consumed by an economy in the final phase of spectacular excesses – the passion for French Impressionists was still being indulged and foreign luxury goods appeared compellingly affordable. But the moment passed, the "bubble" burst, and the current account surplus soared again.

This time around, the economy is emerging from its longest downturn since the 1930s and imports are rising despite weak domestic demand – itself an indication that industrial and personal purchasing habits may have been permanently reformed.

The composition of the import mix has also changed. There is a shift away from raw materials, many of which were fashioned into exports, and towards manufactured goods for domestic consumption. Over the past decade, the share of manufactured goods in imports has tripled to 60 per cent, and the foreign proportion of the car, computer and semiconductor markets has risen sharply.

But there are important footnotes to the figures. The surplus overall may be in decline, but that on the trade account with east Asia, Japan's fastest growing export market, is still rising by an annual 15 per cent. And foreign companies are not necessarily the main beneficiaries of the country's acquired taste for imports.

Tokyo officials estimate that a third of imported manufactured goods are from Japanese factories established abroad in search of lower production costs and of a currency other than the strong yen. When the current account figures are tallied in coming months, the most successful exporters to this newly-open economy may well be Japanese companies.

Rupert at 65

Mr Rupert Murdoch could now apply for the UK state pension of £58.85 a week. When the head of News Corporation turned 65 yesterday, there were no signs that he had any need or desire to tap this source of funds. But the birthday is a reminder that neither he nor his empire is immortal.

News Corporation, with annual revenues of $9bn, is the world's fourth largest media group. It distinguishes itself from the other giants, however, by adroitness and aggression. To aspiring players on the media scene, it must seem that wherever they venture, the News Corp flag is already flying; while their strategists analyse and comment on industry trends, News Corp is already changing them.

Size explains some of its influence. But given Mr Murdoch's reluctance to dilute his family's 30 per cent stake, News Corp has been more capital constrained than many rivals.

Moreover, as Mr Murdoch well knows, size may now be necessary for success in media, but it is not sufficient. One of his most lucrative skills has been to spot the "bottlenecks" or "gateways" in a market through which all participants must pass, paying the gatekeeper a fee as they do so. Mr Murdoch, unlike the ministers and civil servants who drafted the UK's 1990 Broadcasting Act, recognised that the owner of the first satellite subscription service would control such a gateway.

Despite that instinct, his record is mixed. In the UK, his touch has been surer with The Sun, whose irreverence he loves, than with The Times, which represented the establishment he despises. He has appeared more at home with television than with Hollywood; the nerve taken to create the Fox network, which still astounds the generally conservative US television industry, has hardly been matched at Twentieth Century Fox. The charge that he has been better at acquisitions than at organic growth also has some basis, his UK satellite service notwithstanding; in particular, he is said to regret Fox's slow build-up.

When good, his products are very good. Both *The Simpsons* cartoon and *Home Alone*, the film, encapsulate universal anxieties and the voice of small-town America at the same time. Yet he shows no scruples about cheapening and coarsening products if that will boost sales. The regular wit of The Sun's front page hardly obliterates the sheer nastiness of its "Gotcha!" headline on the sinking of the Argentine *Belgrano*. More recently, News Corp threw the BBC's World Service off its Asia satellite service, apparently to mollify the Chinese government.

And when Mr Murdoch goes? His sons and daughter are plausible contenders for his chair. But there is too little internal logic gluing the group together; the likelihood must be that his departure will mark the beginning of the end.

Setback in Brazil

The double blow suffered by the Brazilian government's economic reform programme last week does not of itself spell disaster. But it provides evidence of policy drift that is worrying some international investors.

Congress unexpectedly voted down a constitutional amendment to reform the national social security system. The senate also decided to launch a parliamentary commission of inquiry into alleged regulatory incompetence and fraud at Banco Nacional, which collapsed last year.

The social security reform would not have affected this year's fiscal performance. The legislation had in any case been so watered down that it would not have led to radical change along Chilean or Argentine lines. President Fernando Henrique Cardoso described the vote "as a normal occurrence in a representative democratic system" and promised to redouble efforts to seek consensus for the reforms.

As for the bank inquiry, it will do nothing to solve any of the very real problems that face Brazil's banking system as it adjusts from a hyperinflationary environment to one of more stable prices. Nor will it provide the stronger supervisory regime and more independent central bank that the country's financial system needs.

The danger is, however, that the inquiry will divert attention from the government's other economic efforts including an administrative reform that would, among other things, help states cut their bloated payrolls, and a tax reform.

These measures, albeit already diluted in an attempt to seek consensus, are necessary to make way for a sustainable fiscal adjustment. Up to now, the fight against inflation has been almost entirely waged through monetary policy and the exchange rate. The dangers of relying on the exchange rate to bring down inflation were demonstrated by Mexico's financial crisis. Moreover, overdependence on monetary policy, without parallel fiscal adjustments – the public sector deficit was 5 per cent of GDP last year – is unsustainable in the medium term.

The consequence is high real interest rates which, apart from their harmful effects on the real economy and the financial system, eventually create an unserviceable burden of public debt. Public sector debt held by Brazilians grew 74 per cent last year to $210bn.

Real interest rates need to fall – as they have so far this year – but they must stay down. Fundamental fiscal reform is the only way to ensure that this happens.

The risk is that this reform effort is becoming embroiled in October's municipal elections, in which some 20 per cent of Brazil's more than 500 lower house legislators will probably be candidates. Mr Cardoso may talk about consensus, but now is the time for leadership.

When recovery is not enough

The German economy is in trouble but the politicians may be tempted to sit back and avoid the tough measures needed, says Peter Norman

Helmut Kohl is an astute politician. But not even his most enthusiastic supporters would accuse the German chancellor of a knowledge of or interest in economics.

For how else could he have promised Germany's voters that unemployment would be halved by the end of the century?

Ten weeks after Mr Kohl put combatting unemployment at the top of his political agenda, that promise looks brave if not foolhardy. The German economy is in trouble and even if it returns to growth this year there is little reason to expect a surge of job creation.

Last week's headlines about record unemployment and the first quarterly fall in real gross domestic product since early 1993 told only part of the story.

● There is substantial concealed unemployment in addition to the 4.27m or 11.1 per cent of the workforce registered as jobless last month.

According to Mr Bernhard Jagoda, the federal labour office president, a further 1.5m people (800,000 in eastern Germany and 700,000 in the west) were kept off the register by government job creation schemes, training programmes, early retirement and short-time working. Overall employment fell by 205,000 last year to 34.85m.

● The 0.5 per cent decline in real, seasonally adjusted GDP in the final quarter of 1995 will not be the last. The Berlin-based DIW economic research institute forecasts real GDP will fall about 1 per cent in the current quarter.

● Forward indicators are pointing downwards. The monthly business climate indicator for western Germany from Munich's Ifo economic research institute has risen in only two of the past 14 months.

The latest six-monthly survey of 25,000 member companies by the German chambers of industry and commerce (DIHT) showed that a third of western German firms expect business to worsen. As a result, the chambers have forecast virtual stagnation and nearly 500,000 job losses this year.

● The public finances are deteriorating rapidly. Last year, Germany's public sector deficit unexpectedly rose above 3 per cent of GDP, above the target set in the Maastricht treaty for those countries entering economic and monetary union in 1999. The deficit will exceed the target again this year and doubts are growing over whether Germany can meet it in 1997, the year on which decisions will be made about the countries that will join the single currency.

Rumours that Mr Theo Waigel, the finance minister, plans a new cap on public spending have strengthened suspicions that the federal budget deficit is heading for an overshoot of between DM10bn and DM14bn on its DM60bn target this year. There is little hope that the federal states, or Länder, and the municipalities will be able to keep their spending down.

High-profile corporate problems have added palpably to a public sense of gloom about the economy. They include the financial crisis at the Bremer Vulkan shipbuilding group, which last month sought a restructuring of its debts, and job losses at Dasa, the aerospace company owned by Daimler-Benz.

Using the definition of two consecutive quarterly falls in GDP, Germany is in recession. However, that message is not one the government wishes to broadcast. With important state elections on March 24 in Baden-Württemberg, Rhineland-Palatinate and Schleswig-Holstein, Bonn has banned the "R-word" from its vocabulary.

In remarks that may yet haunt him, Mr Günter Rexrodt, the economics minister, twice insisted last week that: "There is no question of a slide into recession or zero growth this year." However, he also warned that the recovery that he and many economists still expect this year "will not be sufficient for a fundamental improvement in the labour market".

Only six months ago, Mr Rexrodt was looking forward to 3 per cent growth last year and 2.5 to 3 per cent growth in 1996. In the event, growth in 1995 was only 1.9 per cent, with output first stagnating and then declining after mid-year.

The government blames the poor performance on last spring's rise in the value of the D-Mark and excessively high wage agreements. But last week's GDP figures have also highlighted an alarming slowdown in investment: fourth-quarter investment in equipment was down 0.6 per cent in real terms on the same period of 1994; investment in buildings was 1.8 per cent lower. In the first quarter of 1995, real spending on equipment and buildings was up by 5.4 per cent and 4.1 per cent respectively on the previous year.

The chambers of industry and commerce expect investment in equipment will fall by a real 2 per cent this year, with a 3 per cent drop in construction spending. The BDI, the German industry federation, warns: "Rationalisation will continue to be the most important investment motive, rather than the expansion that would be normal in a phase of recovery."

According to the Institute of German Private Enterprise (IW), the BDI's economic research unit, manufacturing output started to turn down in the third quarter of last year after recouping only half of the production losses of the recession of 1992-93. Its share of GDP fell to around 27 per cent last year from 31 per cent in the early 1990s, while the manufacturing workforce has fallen to 8.8m from 11.1m in 1991.

Government hopes, meanwhile, are pinned on continued export growth, a revival of consumer demand and a 50-point programme for jobs and growth agreed by the cabinet at the end of January.

Exports have been comparatively robust – up 6.2 per cent in the first 11 months of last year. There are hopes that Germany's traditionally strong machinery makers can boost trade with fast-growing markets in Asia and Latin America.

But export growth lagged behind the expansion of world trade last year. Unit labour costs are about a quarter above those of leading competitors. Some export business is clearly unprofitable: Bremer Vulkan's woes, for example, were exacerbated when it contracted to build two cruise ships for an Italian line at a loss.

As for consumer demand, it should benefit from low interest rates and tax changes that are due to boost disposable incomes by nearly 1 per cent this year. But the urge to spend is being dampened by rising contributions for health and pension insurance and sharp increases in charges for local authority services – as well as increased fear of unemployment.

The government's 50-point programme is a series of supply-side reforms such as deregulation, corporate taxation reform and incentives for company start-ups. It includes gradual reductions in public spending from 50 per cent of GDP to 46 per cent, trimming and restructuring the social security system. And it aims to price workers into jobs by reducing high non-wage labour costs, such as social security contributions, generous holidays and expensive sickness pay schemes.

But there has been scant progress since its announcement six weeks ago. Meanwhile, the trade union plan for an "alliance for jobs", a promise of wage restraint in return for increased employment, appears to be running into the sand.

The 50 measures have fallen prey to Germany's legislative paralysis. There are still no details of the fiscal incentives for new companies, for example. Reform of business taxation must await complex negotiations between the Länder and the federal government. A badly needed reform of Germany's inefficient and inequitable income tax system is unlikely before the end of the decade.

The government has so far failed to implement even a modest liberalisation of shop opening hours. Despite cabinet backing, parliamentarians from Mr Kohl's party blocked the measure, fearing it would lose their party votes in this month's state elections.

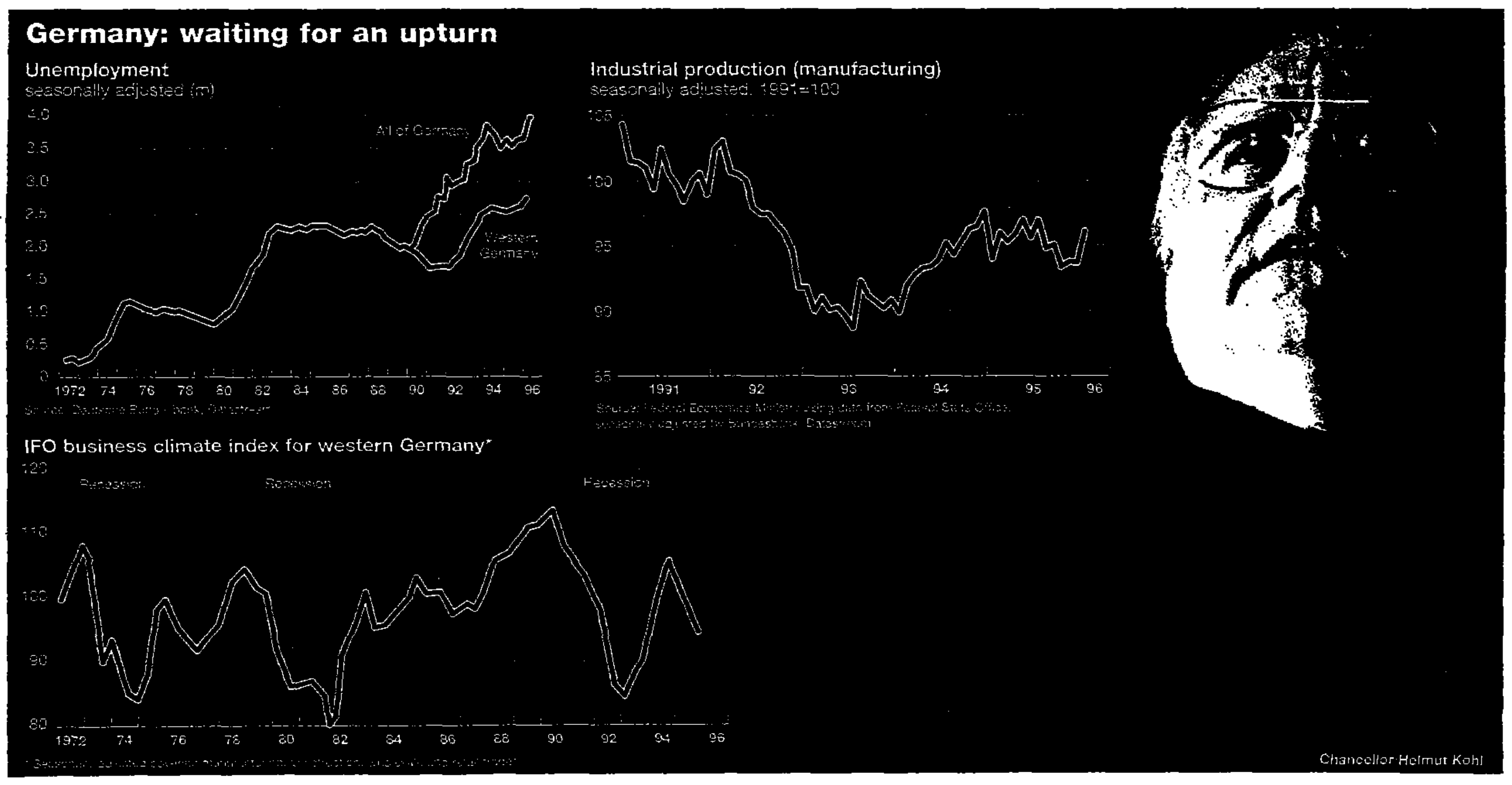
Some progress has been made – last week the cabinet agreed a bill to curb early retirement. But success in this area, crucial to cutting non-wage labour costs, will depend on the support of the opposition which controls the Bundesrat, the second chamber of parliament. It also requires business to create sufficient part-time jobs to absorb the elderly who have been pensioned off early. Meanwhile, non-wage overheads are heading for a new record this year.

The talk in Bonn is that once the elections on March 24 are over, there will be an 18-month burst of activity to push through the necessary reforms before serious campaigning gets under way for the general election in autumn 1998.

"The 50 points will be realised step by step and without ifs and buts," Mr Kohl promised an election rally in Heidelberg last week.

But if the chancellor is to be proved right, it will require the Bonn government to rediscover its capacity to implement change and the opposition-controlled Bundesrat to find the will to reach compromises.

The government and Germany's research institutes still believe there will be an upturn in the economy this year. Some bounce-back is almost inevitable after this year's unusually hard winter. But such a recovery could be more damaging than recession. On past form, it would encourage Germany's politicians to sit back and avoid the tough measures that are needed to restore the conditions for sustained growth and job creation.



Chancellor Helmut Kohl

· O B S E R V E R ·

Bermuda's ugly duckling

■ Sir John Swan, who stepped down as prime minister of Bermuda in August after Bermudians rejected his call for independence, has become the centre of an even meatier debate – over who can cook the island's hamburgers.

Bermuda, keen to maintain the island's prim image, has long set its face against fast-food outlets. However, the United Bermuda Party government has recently reversed that policy, by permitting Swan to open Bermuda's first McDonald's outlet.

Although Swan is no longer premier, he stills sits as a member of Bermuda's 40-member House of Assembly.

David Saul, Swan's successor as prime minister, is in an embarrassing position since Maxwell Burgess, another UBP legislator and former cabinet minister, is Swan's partner in the venture and Grant Gibbons, the finance minister who granted the approval, represents voters in Paget East, the same district Swan represents.

Last week, Bermuda's legislators voted almost unanimously to deplore the deal; there is concern that the row could undermine the government's slim majority.

But despite the split in the party that has governed Bermuda since 1968, Saul says that the approval granted Swan's company won't be revoked. "We'd end up being a banana republic, giving people licenses and, for whatever reason, snatching them back," he says.

Which would sound a mite more convincing if he hadn't relied on Swan's support to win last summer's leadership race.

Bermudians, who developed a taste for Big Macs when they had access to a McDonald's on a US Navy base that closed in August, are split on the issue. Since Swan's permit was granted, business people wanting to open Taco Bell and Pizza Hut restaurants have been queueing up for their permits.

What more could you want? Come to Bermuda for sun, surf and snacks.

Rootless Felipe

■ As he prepares to leave his official Moncloa Palace residence after losing Spain's general elections at the beginning of the month, outgoing prime minister Felipe González has a pressing problem – what should he do with his 220 beloved bonsai trees?

His impressive collection was patiently built up during his 13½ years at the Moncloa. Now it occupies a huge greenhouse in the palace's extensive grounds.

González showed insufficient foresight when he offered Madrid's Botanical Gardens the bulk of the collection back in October; now it is time to pack up and go, it turns out that the new premises for the bonsais won't be ready for at least a year. That means that the Moncloa Palace's new occupant, centre-right leader José María Aznar, risks having González popping in and out of the greenhouse at all hours, watering can and tweezers in hand.

In the family

■ Sandoz chairman Marc Moret must derive special satisfaction from the clear domination of his company in the mega-merger announced last week with Basle neighbour Ciba. Moret said in an interview three years ago that he had been worried when Sandoz opted not to join the merger of Ciba and Geigy in 1970.

"We were then the little cousin in Basle. My predecessors decided not to join the merger, saying that they would certainly do better alone. I felt that they were very, very ambitious to say something like that."

At that time, Moret also said that he hoped to remain at Sandoz until the age of 100. He's done pretty well and is now 73, though is ceding the chair of the new Novartis to Ciba's Alex Krauer.

Adam tempted

■ You might have thought that the takeover bid by Paribas, the French financial group, for its long-time target Navigation Mixte would have raised the ire of the latter's minority shareholders. After all, the offer is set only just above the share price, and substantially below what many believe the assets are worth.

Yet, strangely, there have been no complaining noises from ADAM, a lobby for small investors and, in the past few years, one of France's sharpest thorns in the side of acquisition-hungry executives. It's surely coincidence that – as part of its profile-raising efforts at corporate governance and shareholder value – Paribas last year recruited Colette Neuville, ADAM's leading campaigner, to a seat on its supervisory board.

Relish on the side

■ It doesn't have quite the same sunshine levels as Bermuda, but it appears that the hop-growing county of Kent in the UK has also taken to McDonald's.

Since September, Kent County Council has been backing a scheme called Cities In Schools, which aims to help a small group of naughty, expelled pupils pass exams and get some jobs.

Once a week, one of three groups of 10 meets at a McDonald's burger bar, for an "informal tutorial where they can talk over problems and worries with their tutor." A kind of Big Mac, rather than big smack, policy.

The Financial Times

100 years ago

The Italian colonies

If all reports be true, the Italian settlers in the new African colonies have had anything but a pleasant time. The explorer Franchetti, whose idea of benefiting mankind seems to have been that of locating people upon an arid waste that produced nothing and communicated with nowhere, is now reaping a measure of abuse for his pains. All the blunders of a nation badly bitten with colonial fever seem to be shown by Italy in her unfortunate enterprise. For the joy of starving a few fellow-countrymen in Africa, Italy has to risk bankruptcy and sacrifice the lives of thousands of her soldiers.

50 years ago

Peron and foreign capital

In a special interview, Miguel Miranda, president of the State Industrial Credit Bank and unofficial economic adviser to Col. J. Peron, said that freedom of trading would be certain, but Col. Peron would not tolerate excessive demands by the workers damaging the Argentine economy. Foreign capital would be welcome, but subject to control. It was thought that wheat exports would end by 1950, as by then European consumers would be more self-sufficient.

FINANCIAL TIMES
Tuesday March 12 1996

Current account fall of Y1.9bn surprises economists

Japan's trade dips into the red after five years

By William Dawkins in Tokyo

Japan's politically sensitive current account swung unexpectedly into a small deficit in January for the first time in five years, an outcome greeted by economists as further evidence of a lasting change in favour of imports.

According to preliminary figures by the finance ministry, the current account fell Y1.9bn ($18m) in the red in the first month of the year, from a Y1,008bn surplus in December and a Y328.2bn surplus in January 1995.

Officials said the deficit might have been larger but for the ministry's decision at the start of the year to switch to International Monetary Fund reporting standards, under which Japan will add services to its trade figures and announce its current account in its own currency, rather than in dollars as before.

Under the new system, which measures the simple volume of trade undistorted by currency rate changes, the current account surplus declined by 22.3 per cent in the last calendar year, rather than the 14.5 per cent earlier announced under the old dollar-based report.

The January deficit was exceptional because Japanese companies tend to clear their export orders in a rush at the end of December and export less at the start of the new year.

Finance ministry and private sector economists expect the surplus to reappear in the months following the new year, but believe the trend of declining surpluses will stay.

Seasonally adjusted, the current account was Y593bn in surplus in January, 24 per cent below the average of the previous three months, which is a clearer guide to the underlying trend. "One should not exaggerate, but there are some real changes going on in the economy," said Mr Richard Koo, chief economist at Nomura Research Institute.

Within the January current account, the goods and services account swung into a Y312.8bn deficit – also for the first time in five years – from a surplus of Y76bn in January 1994. The surplus in manufactured goods fell 45.9 per cent over the year to Y363.4bn, the 14th month of decline. Exports rose 22.2 per cent to Y3,260bn in January, lagging on the 38 per cent growth in imports to Y2,996bn over the same period, the ministry said. Computers, electronic components and cars were among the fastest-growing imports.

This reflects a sharp growth in sales to Japan by Japanese companies' Asian plants, built as a cheap bases from which to service domestic as well as emerging foreign markets.

Foreign companies in these sectors have also increased their share of the Japanese market, helped by a strong yen and a change in consumer tastes.

The deficit was a surprise to Tokyo economists, but the foreign exchange market was little moved and the dollar slipped slightly from Y106.3 at the start to Y105.36 in the evening.

Editorial Comment, Page 21

Germany cautious over leap in industry production

By Peter Norman in Bonn

A big jump in manufacturing output helped German industrial production to a surprise recovery in January. But the Bonn economics ministry, which reported the figures yesterday, warned that they might have to be revised downwards.

After a run of gloomy economic data, the ministry announced that industrial production in January rose a provisional, seasonally adjusted 1.6 per cent compared with December, reflecting a 2.6 per cent gain in manufacturing output.

However, the ministry revised December's overall production figure to show a 1.1 per cent fall compared with November. It had earlier announced a 0.6 per cent rise.

This chopping and changing put the spotlight on the continuing disarray of Germany's key economic statistics shortly after the Bundesbank had sharply criticised their accuracy in its most recent monthly report.

Analysts hesitated to claim any turnround in the German economy yesterday. "More information is necessary before it can be established whether the economy has really troughed," commented the Frankfurt office of Goldman Sachs, the US investment bank. "We feel that the numbers must be highly distorted," added Mr Holger Fahrinkrug, a Frankfurt based economist with UBS, the Swiss investment bank.

January's 3.8 per cent drop in seasonally adjusted construction output caused little surprise in view of especially cold winter weather. But the ministry gave no explanation for the reported 10.2 per cent jump in investment goods production in the month or a 3.6 per cent rise in output of consumer durables. Both increases came at a time of falling business confidence and a sharp rise in unemployment.

On a two-monthly comparison, which the ministry regards as a more accurate guide to trends, there was no change in industrial production in December and January compared with October and November.

When recovery is not enough, Page 21

Six countries urge Brussels to drop its EU growth plan

By Lionel Barber in Brussels

Six countries led by Britain, France and Germany yesterday urged the European Commission to shelve proposals to shift funds from the EU budget to support a new growth package.

Finance ministers in Brussels said the plan, though modest, would send the wrong signal to the public when budget discipline was needed to prepare for monetary union. But Mr Jacques Santer, the Commission president, intends to press ahead. A spokesman said he would raise the proposals at the EU summit in Turin on March 29, which will launch the intergovernmental conference on the future of the Union.

"The proposals are fully in line with repeated conclusions of EU summits. If the member states do not respond, it will be clear where responsibility lies," the spokesman said.

Mr Santer wants to reallocate savings in this year's EU farm budget to support EU research and development. Latest calculations suggest at least Ecu700m ($876m) – perhaps as much as Ecu1bn – could be left over from the farm budget this year.

He also wants to raise an extra Ecu1bn for trans-European road, rail and telecommunications networks. His proposals form part of a "pact of confidence" to restore economic growth and encourage labour market reform.

The six countries that expressed reservations were Britain, France, Germany, the Netherlands, Austria and Sweden. The last two in particular have launched ambitious programmes of public spending cuts to reach the Maastricht treaty's public deficit target of 3 per cent of gross domestic product.

The Dutch are also sensitive about their position as the largest net contributor per head to the EU budget.

Brussels is determined to maintain the assault on public deficits, despite the economic slowdown. Last week, the Commission trimmed its growth forecast for 1996 to less than 2 per cent, although it predicted a rebound in the second half.

Mr Jean Arthuis, French finance minister, said monetary union would go ahead on schedule in 1999 even if there was no big turnround in the European economy. But growth would pick up, he added.

Ministers also took note of a letter from the powerful EU monetary committee – made up of national treasury officials from the member states – which called for a tightening of rules on budget discipline.

These rules are part of the "convergence process" whereby countries set out targets for improving their economic performance and are judged by their peers.

THE LEX COLUMN

Bated breath

The immediate threat of a global market crash may have receded, but it would be dangerous to view lower bond prices as a buying opportunity. The US jobs data which scared the market last week could still prove to be a portent of strong growth and rising inflation. That the markets do not yet believe this to be the case is illustrated by the unresponsiveness of the dollar. Some clarification will be provided by US February producer prices on Thursday and consumer prices on Friday. If these numbers suggest a return of inflationary pressures, US bond prices are likely to resume a downward course.

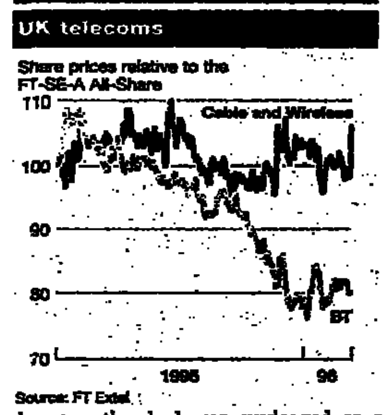
It will be difficult for European bond markets to buck the trend. The UK market is probably worst off, with less chance of further rate cuts, a stronger economy and mounting political uncertainty.

A German rate cut is now unlikely before the end of the month, if only because the Bundesbank does not like to act in volatile markets. Even then, it could be in a tricky position. Last week's slide has already caused the German yield curve to steepen, and any further US weakness would exacerbate this tendency. In this environment, it is not clear that a further German rate cut would help bring down long-term bond yields – the main concern for the Bundesbank because of their negative impact on German industry. The German market may outperform the US in the short term, but German bonds will look expensive once they start to yield substantially less than US treasuries.

At least for the time being, European monetary policy is likely to be set not by individual central banks or even by the Bundesbank but by the US market.

FT-SE Index: 3674.5 (-35.8)

UK telecoms



Source: FT Extel

C&W/BT

Cable and Wireless's proposed reverse takeover of BT was a triumph of financial engineering. The scheme was a neat way to avoid BT's having to make an offer for the 42.5 per cent of Hongkong Telecom which C&W does not own, so cutting the cost of the deal by at least £6bn. Of course, if such a mechanism could be employed in a merger with BT, it could just as easily be adopted by any other telecoms group acquiring C&W. And while the industrial logic of combining C&W with BT looks strong, similar synergies could be obtained by merging with AT&T or a US Baby Bell.

The difficulty – and what eventually sank the talks with BT – is how to make it stack up financially. C&W naturally expected a premium. But, because the deal was envisaged as a reverse takeover, that involved buying BT at a discount. BT's shareholders would have found that hard to swallow unless they had been sure the new company's shares would command a multiple nearer C&W's 17 times earnings than BT's 12 times earnings.

Paying out a bumper dividend would have helped; BT/C&W's combined balance sheet could, in fact, have afforded even more than the planned £4bn-£5bn. But there would still have been a worry the merged company would have been seen as BT writ large and so received BT's multiple. One way of overcoming the problem would be for C&W and BT to merge and then spin off BT's highly-regulated UK infrastructure business. What would be left would be a high-growth international business. If C&W can find a really top-notch chief executive, maybe its next bid for BT should be for real.

Swiss financials

Hopes of another Swiss mega-merger are running high: yesterday the market hit on the idea that Swiss Bank Corporation and Zurich Insurance might get together. Investors should not get too excited. Although a merger would make some sense, it would not deliver the lavish benefits of Sandoz's and Ciba's.

Selling insurance to banking customers – and vice versa – is certainly all the rage in Switzerland: CS Holding has forged alliances with Winterthur and Swiss Re, while Union Bank of Switzerland plans to take a 25 per cent stake in Swiss Life. But SBC and Zurich already have an alliance, selling each other's products to their own customers. And turning that into a full merger would not unleash big cost savings, because the overlap between the businesses is minimal. Real cost-cutting deals in this sector would involve banks merging with banks, or insurers with insurers – not one with the other.

That said, a deepening of the SBC/Zurich alliance – perhaps through joint ventures and cross-holdings, rather than a full merger – would be no bad thing. Zurich's reinsurance business would benefit from SBC's derivatives expertise. And pooling the asset management sides of the two businesses should yield some savings. Zurich would have most to gain by locking SBC in with a cross-holding, while preserving its freedom to pursue other distribution links with foreign banks. It would secure its much-needed access to the bank's retail network, without any need to own it.

Speciality chemicals

Will the speciality chemicals sector follow pharmaceuticals with a raft of mergers? Ciba's chemicals arm, which is being floated off, is the favourite to join up with Clariant to form an SFr8bn ($6.69bn) group. And the US's largest speciality chemicals company, W.R. Grace, has just rebuffed an approach from smaller rival Hercules.

As in the drugs industry, consolidation would reduce overcapacity and offer scope to cut costs. But deals on the scale of recent pharmaceuticals mergers seem unlikely. Speciality chemicals companies are generally smaller and less financially robust. With more fragmented markets and lower research spending, there is less need for global scale. Indeed, small, focused companies like Inspec and Allied Colloids are often the most successful. And many speciality chemicals businesses are buried within big, slow-moving commodity producers. Hoechst and Rhône-Poulenc are at least trying to remedy this problem through disposals. An additional barrier to rationalisation is the environmental cost of shutting old plants, particularly in sectors like agrochemicals.

That means consolidation is more likely to take the form of asset swaps than mergers or outright takeovers. When Du Pont and Imperial Chemical Industries swapped fibres operations in 1993, it was hailed as an industry model. In fact, such transactions have remained the exception. Instead, many companies have in effect "gridlocked" themselves by signing a plethora of marketing agreements and joint ventures – making consolidation harder rather than easier.

Additional Lex on UK results, Page 28

C&W merger plan with BT

Continued from Page 1

C&W felt that its shareholders should receive a premium as a result of the takeover.

Because the deal was to be structured as a reverse takeover, C&W would have had to acquire BT at a discount. BT is thought to have concluded this would have been difficult to sell to its shareholders.

● Lord Young of Graffham, who was asked to leave as chairman of Cable and Wireless at the end of last year, has accepted, as expected, about £2.4m in compensation. The bulk of the entitlement, about £2m, will come from the exercise of share options.

Lord Young and Mr James Ross, the former chief executive, were asked to leave after private disagreements over policy erupted into public and threatened the stability of the company. The two men have agreed broadly equivalent terms.

UK government risks revolt

Continued from Page 1

court's procedure. Initial judgments would be made by the court "in chamber", with the possibility of appeal to the full court.

The UK also wants the principle established that, where the court finds a member country has failed to implement an EU obligation but has acted in good faith, no damages should be payable by that country.

On a series of technical institutional reforms necessary for EU enlargement, the paper says it sees merit in proposals for joint or shared EU presidencies, for "streamlining" the number of commissioners and for giving large EU countries a greater number of votes in those decisions taken by qualified majority voting.

Around a dozen UK Conservative MPs have said they will find it difficult to vote with the government on the issue.

FT WEATHER GUIDE

British Isles

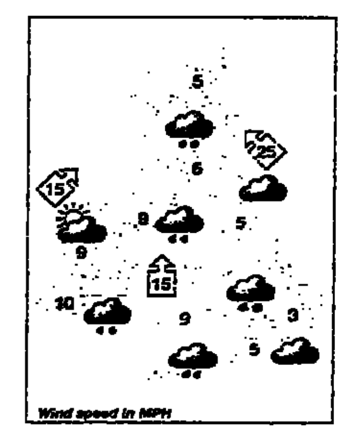
A frontal system will produce cloud and outbreaks of rain across Scotland and England. Snow or sleet is possible on high ground, across East Anglia and in the south-east. In the wake of the frontal system, Ireland will turn dry and partly sunny in the afternoon. Maximum temperatures will vary between 6C-10C but eastern regions will stay colder. Southerly winds will be moderate to strong but will veer to the south-west and decrease over Ireland.

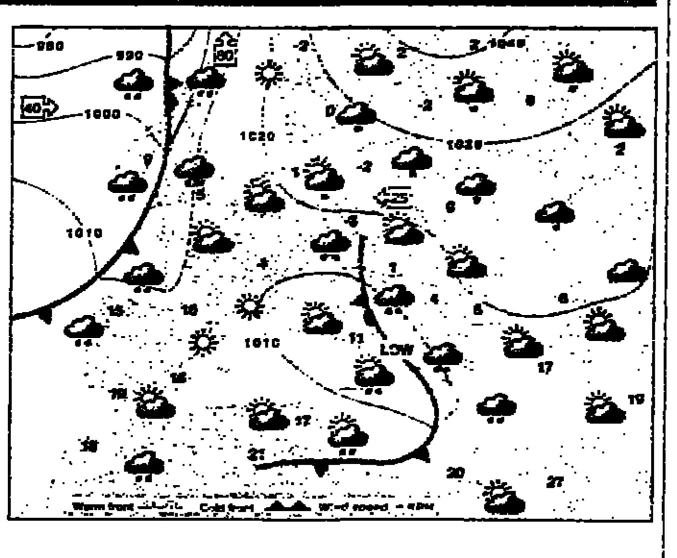
Continent

An easterly flow to the south of a strong high pressure system sprawled across northern Europe will bring cold air to central and western parts of the continent. Most areas will remain unseasonably cold and central Europe will have light snow. Northern Portugal will have rain later. South-east Europe will be rather sunny and mild. Conditions in Italy will improve but Greece and the former Yugoslavia will have rain with snow and sleet over high ground.

Five-day forecast

Most of the continent will remain dry with sunny spells and there will be a slight rise in temperatures. Conditions across Portugal and the western UK will continue unsettled owing to nearby frontal systems. The Mediterranean will have frequent showers or periods of rain associated with low pressure systems.





Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum C	F
Abu Dhabi	fair	29	84
Accra	fair	33	92
Algiers	sun	15	59
Amsterdam	fair	2	36
Athens	rain	13	56
Atlanta	sun	15	59
B. Aires	cloudy	32	90
B.ham	rain	6	43
Bangkok	fair	36	97
Barcelona	fair	14	57
Beijing	sun	14	57
Belfast	fair	9	48
Belgrade	snow	2	36
Berlin	fair	-2	29
Bermuda	shower	24	75
Bogota	cloudy	19	66
Bombay	sun	37	99
Brussels	fair	2	36
Budapest	snow	1	34
C.hagen	cloudy	0	32
Cairo	sun	22	72
Cape Town	rain	18	65
Caracas	fair	29	84
Cardiff	rain	9	48
Casablanca	fair	17	63
Chicago	fair	11	52
Cologne	fair	1	34
Dakar	fair	22	72
Dallas	windy	22	72
Delhi	sun	32	90
Dubai	fair	29	84
Dublin	cloudy	9	48
Dubrovnik	rain	11	52
Edinburgh	rain	8	47
Faro	fair	18	65
Frankfurt	fair	2	36
Geneva	fair	5	41
Gibraltar	fair	16	61
Glasgow	rain	8	47
Hamburg	fair	1	34
Helsinki	sun	2	36
Hong Kong	rain	16	61
Honolulu	fair	27	81
Istanbul	fair	7	45
Jakarta	cloudy	30	86
Jersey	rain	10	50
Karachi	sun	34	93
Kuwait	fair	25	77
L. Angeles	shower	17	63
Las Palmas	fair	22	72
Lima	cloudy	26	79
Lisbon	fair	17	63
London	sleet	4	39
Lux.bourg	fair	0	32
Lyon	sun	5	41
Madeira	fair	19	66
Madrid	fair	15	59
Majorca	sun	15	59
Malta	fair	16	61
Manchester	rain	7	45
Manila	cloudy	32	90
Melbourne	sun	[illegible]	[illegible]
Mexico City	sun	13	55
Miami	fair	24	75
Milan	fair	10	50
Montreal	fair	5	41
Moscow	fair	2	36
Munich	snow	-1	30
Nairobi	fair	29	84
Naples	shower	12	54
Nassau	fair	23	74
New York	fair	6	43
Nice	sun	13	56
Nicosia	fair	17	63
Oslo	fair	0	32
Paris	fair	6	43
Perth	fair	32	90
Prague	snow	-3	27
Rangoon	sun	34	93
Reykjavik	shower	1	34
Rio	rain	28	83
Rome	fair	12	54
S. Frsco	cloudy	14	57
Seoul	sun	10	50
Singapore	cloudy	32	90
Stockholm	fair	1	34
Strasbourg	sun	2	36
Sydney	shower	24	75
Tangier	fair	17	63
Tel Aviv	fair	20	68
Tokyo	fair	12	54
Toronto	fair	5	41
Vancouver	rain	11	52
Venice	fair	7	45
Vienna	snow	-3	27
Warsaw	fair	-2	29
Washington	fair	9	48
Wellington	sun	17	63
Winnipeg	cloudy	4	39
Zurich	cloudy	1	34

FINANCIAL TIMES
COMPANIES & MARKETS

 Tuesday March 12 1996

IN BRIEF

Cathay Pacific rise beats expectations

Cathay Pacific Airways, the Hong Kong based carrier controlled by Swire Pacific, has exceeded market expectations with net profits of HK$2.98bn (US$385.5m) for 1995, a 25 per cent increase on 1994. Page 27; *Air NZ renews bid for Ansett stake*, Page 27; Tan moves closer to control of Philippine Airlines, Page 27

Croatian drugs group sets issue price
The international equity issue for Pliva, the Croatian pharmaceuticals group, was priced at a range of K4,150 to K5,100 a share, valuing the company at between $415m and $510m. The deal is the first international equity offering by a Croatian company. Page 25

Renault keeps faith with Mack
Contrary to expectations, Renault, the French vehicle maker, has stayed the course with its investment in Mack. If not a *roaring success*, the US truck maker is no longer a basket case. Buoyed by the recovery in the US truck market, it increased sales 7.4 per cent last year. Page 26

Laporte plans to cut 300 jobs
Laporte, the UK speciality chemicals company, is to cut its head office staff by 40 per cent as part of a restructuring programme intended to add more than £10m ($15.3m) a year to profits from 1997. Mr Jim Leng, announcing his first results as chief executive, said the group would make about 300 employees redundant in 1996, of which 80 would be from the group's head office. Page 28

Riot shuts Indonesian mine
The Grasberg mine in Irian Jaya, Indonesia, one of the world's biggest copper and gold producers, was temporarily closed after civil disturbances broke out in the nearby town of Tembagapura, whose 10,000 people are mostly employed by the mine. Page 29

Chief price changes yesterday

FRANKFURT (DM)				**Falls**			
Falls				Banc Comp	511	–	16
Allianz	2701	–	73	CGIP	1200	–	38
Bayer	460.8	–	18.2	Ecco	1045	–	25
Degussa	535.5	–	11.5	SILIC	730	–	15
Hoechst	474.75	–	15.2	Unibail	515	–	15
Linde	882	–	18	**TOKYO (Yen)**			
Thyssen	271.85	–	8.8	**Rises**			
NEW YORK ($)				Myoji Ira Wks	655	+	29
Rises				**Falls**			
Amer Vanguard	12¾	+	3	Casio Comptr	984	–	28
Harris Comptr	40½	+	6¼	Fujitsu	967	–	29
Netscape Comm	45½	+	5½	Hino Mtrs	883	–	26
Raptor Sys	29⅝	+	4	Nissho Oil	780	–	49
Falls				Yuasa Corp	587	–	23
First Amer Fn	30¼	–	1¼	**HONG KONG (HK$)**			
Winn-Dixie	34¾	–	1⅛	**Rises**			
LONDON (Pence)				Perfectech	0.82	+	0.04
Rises				Sth China H	1.57	+	0.07
DCS Grp	99	+	12	Sth China In	0.85	+	0.05
Rank Org	490	+	11	**Falls**			
Falls				Dao Heng Bk	29.05	–	3.05
Close Bros	363	–	16	Wharf Hldgs	27.55	–	3.05
Gen Accident	620	–	22	Wing Hang Bk	27.5	–	3.9
HSBC (75p)	1005½	–	41½	**BANGKOK (Baht)**			
Sun Alliance	367	–	13	**Rises**			
TORONTO (C$)				Poonpipat	81.0	+	7.0
Rises				Thai-Asahi Gl	30.5	+	3.25
Gldn Star	17⅝	+	3⅛	Union Text	15.0	+	1.0
KWG Res	14½	+	1⅛	**Falls**			
Falls				Dhana Siam	224.0	–	26.0
Acme Mills	22⅝	–	1½	Goodyear	129.0	–	13.0
Budd Canada	16⅝	–	1¼	Singer	216.0	–	24.0
Canwest Glb	34½	–	1½				
St Pacific	38	–	2				
PARIS (FFr)							
Rises							
Damart	4400	+	95				

New York and Toronto prices at 12.30pm.

Alcatel joins Sharp in mobile phone initiative

By Andrew Jack in Paris

Alcatel Télécom, part of Alcatel Alsthom, the French engineering and telecoms group, and Sharp, the Japanese electronics group, yesterday announced a partnership for the development of the next generation of portable telephones.

The alliance, which is the first wide-ranging tie-up between the two companies, will bring together Sharp's experience in personal information tools and Alcatel's skills in digital mobile communications.

The two groups aim to launch a range of "personal mobile communicators" by the middle of next year. The devices will combine a cellular telephone and a personal organiser within a single unit.

In the second half of this year Sharp will begin to distribute GSM (global system for mobile) units manufactured by Alcatel. These will include two telephones *unveiled by the company* this week, the HC 800 and HC 1000, which feature "one-touch" keys and longer battery life.

Next year, the two groups plan to launch mobile communicators combining functions such as personal portable faxing, banking information and time management software. Alcatel will provide the telecoms skills and Sharp the liquid crystal display and personal information technology. The two groups are also discussing long term co-operation to develop a range of other electronic devices and components, including interactive multimedia equipment.

Sharp is a leading manufacturer of personal electronic notebooks that can store information for use on the move and send faxes with the aid of a modem. One of its products, the Zaurus, has sold 800,000 units in Japan since its launch in October 1993 and 100,000 in the rest of the world.

The alliance with Alcatel could help Sharp strengthen its position in Europe. A German version of the Zaurus was launched last August, and an Italian version in October. Sharp is keen to boost its presence in the European digital cellular telephone market, where it has sold 150,000 cellular phones based on the GSM standard. It has also sold a small number of cordless phones in Germany and the UK.

Alcatel also yesterday announced its projections for growth in the market over the next few years. It predicts there will be nearly 100m subscribers to GSM phones by 2000, compared with about 5m in 1994. Some 55m will be in Europe and more than 30m in Asia.

By 1998, Alcatel believes half of all such phones will be used in the consumer sector rather than by businesses. About 10 per cent of users will be high earners, 5 per cent blue collar workers, 30 per cent corporate staff and 15 per cent business executives. The remaining 40 per cent will be sold in the mass market.

Raymond Snoddy on the birth of the BSkyB, Bertelsmann and Canal Plus alliance

The making of a digital deal

The new BSkyB, Bertelsmann and Canal Plus alliance is planning more than 100 channels of digital satellite TV in Germany this autumn.

The alliance, which is expected to devote about £300m ($460m) to the venture, believes it is essential to launch a large number of channels swiftly to signal digital television's arrival. The likely plan involves the launch of 20 to 30 distinct channels. Remaining capacity would be used for pay-per-view sport, and services akin to video on demand – devoting a large number of channels to a few top films with staggered starts.

After Germany, the main target is expected to be Italy, where cable and satellite television is in its infancy and the partners have no complicating relationships.

The alliance recognises partners will honour previous commitments and it is very unlikely it will try to compete in the UK, where BSkyB is the dominant satellite broadcaster, or France, where Canal Plus is the leading pay-TV company.

Less than a week after last Wednesday's announcements in the UK, France and Germany, executives from all three organisations are planning the launch. An unresolved issue is how close the links with Kirch of Germany will be in the partners' digital satellite plans. Canal Plus and Bertelsmann have stakes with Kirch in Première, the German pay-TV service, and BSkyB plans to buy 25 per cent of Première for about $270m (£175m), subject to Kirch's approval.

BSkyB executives play down the impact of last week's row, when the UK company released details of the plan to buy 25 per cent of Première but then had to release a second statement making clear that the deal required the approval of all Première's shareholders, including Kirch. BSkyB was legally required to release the details because it is quoted in London and New York.

They say Mr Rupert Murdoch, chairman of News Corporation, the main shareholder of BSkyB, called his partners the next day to explain the legal requirement.

The origins of the deal which could shape the media map of Europe go back to July 1993 when Mr Murdoch bought control of Star TV, the Hong Kong-based satellite group. The deal impressed Mr Michael Dornemann, then Bertelsmann's TV strategy head, who was worried over its loss-making German channel, Vox.

After attempts by Goldman Sachs to sell Vox came to nothing, Mr John Thornton of Goldman brought together Mr Murdoch and Bertelsmann. The News Corp chairman took a 49.9 per cent stake in Vox in return for trying to turn it around. Canal Plus soon joined the shareholders in Vox and it is now believed to have broken even. But although the three groups got on well, the relationship had not led further.

At a lunch in Munich on January 25 Mr Thornton speculated with Mr Dornemann, now chairman of Bertelsmann Music Group, about the future. Mr Dornemann said any deal should respect existing relationships: Bertelsmann's and Canal Plus's 37.5 per cent stake each in Première; his friendship with Mr Pierre Lescure, Canal Plus chairman; and the stake in RTL, the German channel, with CLT, the Luxembourg-based broadcaster.

Mr Dornemann proposed an alliance between Bertelsmann and Murdoch to launch digital satellite TV in Germany. Mr Thornton took the idea to Murdoch, who was intrigued.

On February 13, Mr Murdoch, Mr Dornemann and Mr Sam Chisholm, chief of BSkyB, met at BSkyB's headquarters. Mr Dornemann insisted Bertelsmann wanted to use the Seca decoder being developed by a German grouping. BSkyB agreed.

The advantages the potential partners could bring to the deal included BSkyB's digital channel capacity, Fox programming from the US and Bertelsmann's pay-TV football rights in Germany, held through its company UFA. The outline deal was thrashed out in Mr Murdoch's New York office on February 26 and confirmed at a lunch at London's Ritz Hotel on March 2, attended by Mr Murdoch, Mr Dornemann and Bertelsmann executives. Mr Lescure of Canal Plus became involved in a meeting at BSkyB last Monday. He had probably been kept in touch with the talks and was ready to move quickly when invited to join the consortium, in which BSkyB, Bertelsmann and Canal Plus each have 30 per cent, and Havas, the French media group, took the remaining 10 per cent.

Whether there will be two "platforms" for pay-TV in Germany or one, and precisely what can be shown will depend on what accommodation can be reached with Mr Leo Kirch, who holds a big proportion of film rights for the German market.

Editorial Comment, Page 23; Fight to the finish, Page 31

Meeting of the top minds: (from left) Pierre Lescure of Canal Plus; Rupert Murdoch of News Corp; Michael Dornemann of Bertelsmann Music Group; Pierre Dauzier, chairman of Havas; Sam Chisholm of BSkyB; and Rolf Schmidt-Holtz, president of TV Film Europe, UFA

Dutch to complete DSM sell-off

By Ronald van de Krol in Amsterdam

The Dutch government is to complete its phased privatisation of DSM, the Netherlands' second-largest chemicals company, by selling off its remaining 11 per cent stake in the group later this month. The 3.97m shares would be worth Fl 604.6m ($364.2m) at yesterday's share price.

In line with the rest of the Amsterdam stock market, DSM's shares fell yesterday following Wall Street's decline on Friday. However, they have risen strongly since February 21 when the government announced a separate plan to sell 7.34m shares, or 20 per cent of the company's share capital.

At the time, the government said the remaining 11 per cent holding would be sold "in due course". This was widely interpreted to mean later in 1996: the decision to divest the state's last DSM shares came as a surprise.

The latest transaction differs fundamentally from the one announced in February because the earlier sale called for the conversion of 7.34m DSM ordinary shares held by the state into cumulative preference shares. The cum-prefs will be placed with four to five large Dutch institutional investors.

The February move boosted DSM's shares because it held out the prospect of a reduction in the number of ordinary shares outstanding, leading to predictions of higher earnings per share for ordinary shareholders.

ABN Amro Hoare Govett, lead manager of both transactions, said in a research report: "The conversion into cumulative preference shares will lead to a substantial increase in earnings per share and a lower cost of capital." Holders of the cum-prefs will receive a dividend linked to Dutch long-term interest rates.

The 11 per cent stake will be sold to retail and institutional investors, who will receive dividends paid out of DSM's profits. Book-building began yesterday and is due to run until Friday, but ABN Amro and the Dutch state said they reserved the right to close the offer earlier. The share price will be fixed "as quickly as possible" after book-building is completed.

In 1989, the state sold a combined 68 per cent stake in DSM through two public offerings. The two DSM tranches set records for the Amsterdam Stock Exchange, which were broken in 1994 when the state began its phased sale of shares in Koninklijke PTT Nederland (KPN), the country's telecommunications and postal company.

The government's holding in DSM is a legacy of the group's origins as the state coal mining company. When the country's coal industry was closed in the 1960s following the discovery of natural gas in the province of Groningen, DSM became active in plastics, bulk chemicals and speciality chemicals.

Lex, Page 22

Daewoo closes in on Lotus purchase

By John Burton in Seoul and John Griffiths in London

Daewoo, the *South Korean* industrial group, is understood to have signed a letter of intent to purchase all or part of Lotus, the British sports car manufacturer and engineering concern.

It is believed Daewoo signed the *letter of intent in mid-February* and that an official announcement has been delayed by disagreements over terms in the final contract.

Daewoo yesterday would neither confirm nor deny it was negotiating with Lotus, although it said it had made initial contacts: "We have carried out a feasibility study for a possible takeover or stake in Lotus, as many *other carmakers probably* have done *since* its parent company went bankrupt," it said.

Daewoo was referring to Bugatti Automobili of Italy, the "supercar" company set up in *the* early 1990s by Italian entrepreneur Mr Romano Artioli, who also bought Lotus from General Motors two years ago. Bugatti Automobili was declared insolvent last year.

However there *remains some* confusion over the precise ownership of Lotus. Following the *bankruptcy declaration* Mr Artioli's lawyers appear to have sought to ensure Lotus's separation from Bugatti and a Luxembourg-based holding company which was also believed to control Lotus.

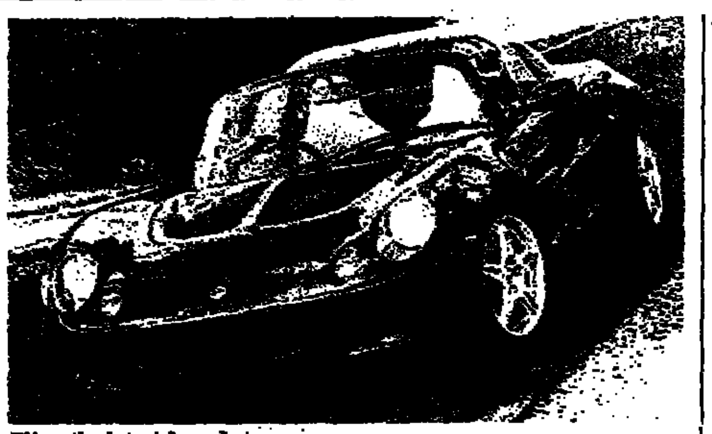
Lotus, which employs 1,000 in the UK and which says net earnings rose to £5.8m ($8.9m) last year from £3.6m, insisted that it had no knowledge of any agreement with Daewoo, although it has acknowledged talks have been going on with potential investors. Mr Artioli was unavailable for comment.

There have reports from Austria that Daewoo might be considering withdrawing from negotiations with Steyr-Daimler-Puch, the struggling engineering and weapons group with whom it has signed a letter of intent to take a 65 per cent *stake*.

However, Lotus is now considered a more attractive takeover *candidate* for Daewoo because of its advanced engineering business, which accounts for an estimated 60 per cent of its turnover.

Daewoo said the talks with *Steyr* were *continuing. A request* by Mr Kim Woo-chong, Daewoo chairman, that these talks be extended to the end of March has led to speculation that Daewoo might be waiting to determine whether it can conclude a deal with Lotus by then.

Daewoo's interest in both Lotus and Steyr reflects its need to acquire automotive technology and components as it prepares to *develop new models of cars and* trucks to be manufactured at recently acquired plants in eastern Europe. Daewoo's range of vehicles is largely based on outmoded technology acquired from General Motors, its former joint venture partner, in the 1980s.



Elise: the latest from Lotus

Lafarge rises 6% despite slowdown in main markets

By Andrew Jack in Paris

Lafarge, the French construction materials group, yesterday *reported net income for 1995 up 6 per cent* to FFr2.35bn ($462m), in spite of a slowdown in business from its more developed markets.

Sales rose 1 per cent to FFr33.2bn, reflecting a 5 per cent increase at constant exchange rates, of which 3 percentage points came from acquisitions.

Lafarge said there was a slowdown in the US and Germany, *and a number of markets were* in decline, including France, Canada and Austria, particularly during the second half of the year.

The group said these problems were offset by growth in developing countries, prices which held firm, and rising demand in Europe for gypsum and some speciality materials.

It also reported exceptional *items of FFr397m, compared with* FFr296m in 1994, reflecting the disposal of National Gypsum of the US and Lorüns in Austria, as well as provisions, notably within its French and Austrian operations.

Lafarge said the outlook for 1996 looked more positive, with growth in western Europe expected during the second half, strong business in the US, recovery *in Canada and maintained* growth in the developing world markets.

Cement, of which Lafarge is the world's second largest producer, made up 45 per cent of sales, with a further 27 per cent from concrete and aggregates, 17 per cent from speciality materials and 10 per cent from gypsum.

Operating income for cement grew 3 per cent to FFr3.4bn, gyp*sum by 7 per cent to FFr324m* and speciality materials 6 per cent to FFr311m.

However, concrete and aggregates fell 35 per cent to FFr162m.

France accounted for 36 per cent of sales, with 28 per cent from other European countries, 23 per cent from North America, 7 per cent from Asia Pacific and Africa, and 6 per cent from Latin America and the Caribbean.

Net debt rose to FFr2.9bn last year compared with FFr2bn, but net interest expenses fell from FFr645m to FFr552m.

The number of employees rose to 34,750, up from 33,233 in 1994.

The directors recommended a dividend of FFr10, up 10 per cent.

INTERNATIONAL COMPANIES AND FINANCE

EUROPEAN NEWS DIGEST

BolsWessanen falls in line with forecast

BolsWessanen, the Dutch food and beverages group, said net profits before extraordinary items fell 20.2 per cent to Fl 202.9m ($122.1m) in 1995, in line with a forecast made in July. The dividend is to be left unchanged at Fl 1.28 a share.

The decline was the result of a combination of factors, including higher interest charges, the guilder's strength and the absence of earnings from the sales of trademark rights. Operating results were also hurt by lower cheese sales in Italy and the cost of launching the group's new cheese brand Landana in Germany and the Netherlands. In the US, faltering sales of frozen yoghurt caused a drop in operating profit in the dairy sector.

Overall, group operating profit fell 12.5 per cent to Fl 288.6m. Turnover fell from Fl 4.94bn to Fl 4.63bn but would have risen marginally to Fl 4.96bn if foreign exchange rates had been changed. *Ronald van de Krol, Amsterdam*

Navigation stake 'not for sale'

Consortium de Réalisation, the holding vehicle for assets being sold off by Crédit Lyonnais, the French state-owned bank, said yesterday it did not plan to sell its stake in Navigation Mixte, the holding company. The decision will complicate the takeover bid launched for Navigation Mixte this month by Paribas, the French financial institution, which has increased its stake from 30 per cent to more than 50 per cent and launched a bid for the remaining shares at FFr800 each.

Mr Michel Rouger, head of the Consortium, told Agence France Presse last night he would not sell the shares to Paribas because he said, as a general rule, CDR would "not sell its assets at whatever price, anyhow and at any moment".

Mr Rouger is responsible for a 15 per cent stake in Navigation Mixte originally acquired by Crédit Lyonnais. If he continues in his stance, it will be harder for Paribas to take control of the group and restructure it or to sell off its assets. *Andrew Jack, Paris*

Hungarian hotel tenders invited

Sheraton, Holiday Inn, Forte and Intercontinental are among the international hotel chains that have been invited to tender for a 95 per cent stake in the Budapest Forum, one of the last top-class state-owned Hungarian hotels to come up for privatisation.

APV, the state privatisation agency, said yesterday it had invited 15 hotel groups and financial investors including CS First Boston, J.P. Morgan and Schroders to enter bids by late April. Financial investors may only bid as part of consortia with strategic partners.

The Forum, which is managed by Intercontinental, was formerly the flagship hotel in the HungarHotel chain which came close to privatisation last year. The hotel, on the banks of the River Danube, was subsequently hived off in the belief it would fetch more if sold separately. It had a 60 per cent occupancy rate last year and made a pre-tax profit of Ft700m-Ft800m ($4.9m-$5.6m) on revenues of about Ft2.1bn, APV said. *Virginia Marsh, Budapest*

Henkel makes offers in India

Henkel, the German consumer goods and chemicals company, has made an offer to buy out two companies controlled by Shaw Wallace – Calcutta Chemical Company and Detergents India. Shaw Wallace, controlled by the Dubai-based Jumbo group, is India's second largest liquor manufacturer. It also makes and markets consumer products, through Calcutta Chemicals and Detergents India.

Standard Chartered Bank, manager of the sale offer, said Henkel made its offer through its Indian associate SPIC Fine Chemicals. It said SPIC Fine proposed "to acquire 649,224 equity shares of Rp10 each, representing about 81.15 per cent of the voting capital of Calcutta Chemical". *Reuter, New Delhi*

Swiss Re eyes Asian markets

Swiss Re, the world's second biggest reinsurer, said yesterday it would invest heavily to increase its presence in Asia's booming insurance markets.

Mr Hermann Hefti, head of the Zurich-based group's Asia-Pacific department, said it aimed to derive 25 per cent of its gross premium income from Asia by 2000, compared with 10.4 per cent in 1994. Swiss Re had total assets of SFr42.5bn ($35.3bn) at the end of 1994. Mr Hefti said the company could not afford to miss out on the dynamism of Asia, whose reinsurance industry, excluding Japan, is expected to grow at 8.5 per cent a year until 2005, against a world average of 3.4 per cent. *Reuter, Singapore*

Playing the nationalist card

Fears that De Benedetti's controlling stake in Valeo could be sold to a foreign buyer have prompted French carmakers to close ranks

Carlo De Benedetti: united Peugeot and Renault in fear of a sale

Valeo, the French automotive components group, now seems to be "in play". Rumours that Mr Carlo De Benedetti wants, or needs, to sell his controlling 27.7 per cent stake – held by Cerus, his French holding company – to finance other interests are being taken seriously.

The Italian industrialist last week denied that he had made any decision to sell his Valeo shares, but confirmed he had asked his bankers to carry out a strategic review of his assets.

The fear that Mr De Benedetti has a Valeo sale in mind led Renault and Peugeot to put on a rare show of unity at last week's Geneva Motor Show. They warned that if Valeo were to fall into the hands of a rival car manufacturer or of a foreign component supplier, they might take their business elsewhere.

In characteristically blunt fashion, Mr Jacques Calvet, the Peugeot president, said: "I will do everything to ensure that Valeo stays French," and warned if he did not like whoever might buy the Cerus stake. "I would progressively halt my purchases from Valeo".

Mr Louis Schweitzer, the Renault president, issued the same warning in more veiled language. Their two groups still account for 30 per cent of Valeo's sales – more if spare parts are included.

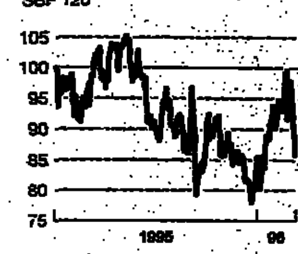
COMPANY PROFILE:

Valeo

Noël Goutard
chairman and CEO

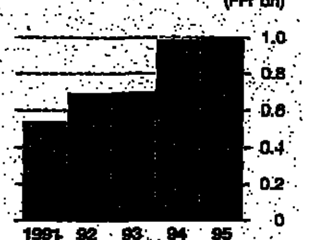
Market capitalisation	$3.41bn
Main listing	Paris
Historic P/E	17.16
Gross yield	1.6%
Earnings per share	FFr 13.6

Share price relative to the SBF 120



Source: FT Extel

Net profits* (FFr bn)



*year ending Dec 31

The dilemma for Valeo is that if Mr De Benedetti were to put his shares, currently worth about FFr6bn ($1.2bn), on the stock market or sell them to institutional investors, the group would preserve its prized independence from car manufacturers or other component makers. But Mr De Benedetti is likely to want to get the premium that only those directly involved in the industry are probably ready to pay.

The prospect of a large chunk of Valeo coming up for sale represents a once-in-a-lifetime opportunity, particularly for non-European companies, to get a substantial slice of a European market.

Valeo has come a long way since 1986 when Mr De Benedetti bought into the group – which was then losing FFr400m a year. He installed Mr Noel Goutard as its chairman and chief executive at the start of 1987. Sales have since increased from FFr10bn to FFr25bn last year, when Valeo recorded a FFr1bn net profit.

Tenth in the world in 1994, Valeo has become the world leader in clutches and engine cooling systems, and European leader in car lights and signalling, air conditioning and locking systems.

Refusing to comment on the possibility of a Cerus sale, Mr Goutard has only praise for Mr De Benedetti's past role. "He has been a determined shareholder, and thanks to the stability of his shareholding, Valeo has been able to pursue its international and technological strategy." Last year the French group made 63 per cent of its sales abroad, and over the past decade it has raised industrial investment and R&D spending by 400 and 300 per cent, respectively.

But in an interview this week, Mr Goutard said the fears of Mr Calvet and Mr Schweitzer were natural because "the strength of a car manufacturer is in large part determined by his pool of suppliers", who provide in value terms 60 to 75 per cent of what goes into vehicles.

Some of Valeo's other European clients have expressed the same worry about the possibility of a component maker, linked to another car manufacturer, taking a significant stake in Valeo.

US component companies, including Rockwell, Allied-Signal and TRW, as well as Delphi Automotive Systems (owned by General Motors), have been moving into the European market.

These companies are carrying out "the restructuring in Europe that is taking place among the component makers", Mr Goutard said. To some extent, the Valeo president added, European carmakers have wished this development upon themselves, because they want a smaller number of bigger suppliers to provide them with complete systems or sub-systems. But they also have "a worry about being dependent on suppliers whose centres of decision lie outside Europe".

Valeo has played its part in this restructuring, spending between FFr200m and FFr500m a year on acquisitions, and Mr Goutard evidently wants to continue this role as an independent. Valeo claims its credibility lies in its independence, giving its clients confidence that the confidentiality of their projects, which can take four or five years to develop, will be respected.

Clearly, a sale to a company like Delphi would be the least acceptable to Valeo's two main French clients, who would have more power than the Valeo management itself to shape the outcome.

There is a measure of bluff in the Renault-Peugeot threat to switch purchasing, which could not be done totally or quickly. But the two French companies are in a position to influence the choice of any buyer for the Cerus shares.

A sale to Bosch, the European market leader, is probably not feasible because the European Commission might block such a move on antitrust grounds, while Siemens, with which Valeo has a joint venture in air conditioning, seems keen to keep its money for telecommunications investments.

In theory, Renault and Peugeot could provide their own "French solution" by splitting the Cerus stake themselves. Renault, however, last week said it did not have the spare money to contemplate buying even 14 per cent of Valeo, or half the Cerus stake.

Nor does the French government, which still owns 54 per cent of Renault, appear moved to play any nationalist card over Valeo. As for Peugeot, it already has its own component-making subsidiary, ECIA, and buying into Valeo would provoke a conflict of interest that even Mr Calvet might find difficult to resolve.

But one Paris analyst suggested the French car companies might still work behind the scenes to encourage smaller French and European component-makers, like Sagem in France or Lucas in the UK, to mount some joint purchase. At all events, it seems likely that the warning shot of Renault and Peugeot will not be their last in the gathering battle over Valeo.

David Buchan

Millicom tumbles to losses of $29.9m at full-year stage

By Alan Cane

Millicom International Cellular, a Luxembourg-based cellular phone operator, saw losses of $10.4m at the halfway stage in 1995 rise to $29.9m for the full year.

The loss per share was $0.63 compared with earnings of $0.23 last year when the disposal of an investment raised $26.1m. Excluding post-tax gains, net losses widened from $15.7m in 1994 to $31.6m in 1995.

Revenues, however, were 61 per cent ahead at $131.38m compared with $81.37m in 1994. Cellular operating profits before depreciation and amortisation rose 63 per cent to $39.27m compared with $24.1m because of improved contributions from the company's Latin American operations.

The company's continuing losses are chiefly the result of heavy investment to meet demand for cellular services, especially in Asia and Latin America.

The company noted: "The increased loss reflects the significant investment undertaken in network development worldwide and the corresponding increase in interest expense. The number of subscribers worldwide rose 111 per cent to 251,277; net new subscribers in the last quarter of 1995 were a record 42,470. The three largest contributors to the cellular operating profit were operations in Paraguay, Guatemala and El Salvador.

● Belgian Kredietbank is poised to reveal plans for its units HSA and Spaarkrediet, the bank said yesterday, Reuter reports from Brussels. It declined to comment on a report in Belgian newspaper Gazet van Antwerpen that it plans to merge the two regional savings banks.

In the last 18 months, Kredietbank has raised its stake in HSA to almost 100 per cent from 75 per cent, and acquired Spaarkrediet.

Fight to the finish in German digital television

Kirch's lead over Bertelsmann in the race to the marketplace may be short-lived, writes Judy Dempsey

Kirch and Bertelsmann, Germany's two largest media groups, last week ended months of speculation when they said they would compete against each other to develop digital television. Both will offer the consumer separate "d-boxes", the set-top box for decoding signals that allows the viewer access to a wide variety of pay-per-view services, from entertainment and home banking to on-line facilities and video-on-demand.

The race into the marketplace has started.

The Munich-based Kirch may have a head start on its northern rivals, but this is no guarantee of first place. Much will depend on the kind of challenge posed to Kirch's dominance in providing content by the alliance formed last week between Mr Rupert Murdoch's News Corporation, Bertelsmann, led by chief executive Mr Mark Wössner, and Canal Plus, the French commercial television network.

Much will also depend on what happens to Premiere, Germany's only pay-TV network, which is jointly owned by Bertelsmann, Kirch and Canal Plus. Its 1m subscribers would make a welcome bonus for whoever managed to be the first to launch digital television in Germany.

Despite these unresolved issues, Kirch's technical division, BetaTechnik, is putting the finishing touches to its d-box, intending to start trials in the spring and launch digital television on September 1.

The distribution and marketing strategy is already in place. BetaTechnik will supply the d-box to Vebacom, the telecommunications division of Veba, the German industrial conglomerate, and the Metro Group, one of the country's largest retailers.

Last week, Vebacom and Metro agreed to form a joint venture company to provide all the services needed by audiences receive digital television programmes. These include the process of billing, collection and subscription management and the sale of d-boxes.

The new company is a coup for Kirch: Vebacom had earlier agreed in principle to join the Multi-Media Betriebsgesellschaft (MMBG), the rival digital television consortium headed by Bertelsmann and Deutsche Telekom.

But Vebacom says it switched sides because "MMBG was progressing too slowly compared with Kirch. It was like a debating club. The technical end of things had not been set up." Another reason for Vebacom's break with MMBG was that it wanted the chance to carve out a bigger share in the telecoms and television market when Deutsche Telekom is privatised.

Head to head: the groups led by Mark Wössner (left) and Leo Kirch face a tug-of-war over Premiere

Having Metro on board is also a big advantage for Kirch. It has deep pockets. Mr Otto Beisheim, the founder of Metro, which last year had sales of DM74.5bn ($50.2bn), is a personal friend of Mr Leo Kirch. With a vast network, and variety, of retail outlets throughout Germany, Metro is well placed to distribute the d-box. And with Vebacom, it will be able to provide the consumer with packages ranging from personal computers and modems to mobile telephones.

"With this joint venture, you see a kind of convergence taking place between telecommunications, retailing and the content providers," says Mr Gottfried Zmeck, a senior Kirch manager.

Kirch, which has one of Europe's largest film libraries, will be the main content provider, but Vebacom insists the new company's services will be available to all content providers. "It is guaranteed by the company's shareholding structure. It is independent of content providers," says Vebacom.

Kirch officials are just as insistent – despite claims to be contrary by MMBG – that the BetaTechnik d-box will not be limited to one single conditional access system.

"It will be an open system," explains Vebacom. "The decoder will be able to work with various conditional access systems via an interface giving the viewer the chance to choose freely from a wide variety of programmes and news services, and the d-box will be distributed via satellite and cable."

MMBG, meanwhile, is shrugging off Vebacom's "defection". "We are ready to launch our system in the autumn," says Mr Nikolaus Formanek, spokesman for Ufa, the film and television division of Bertelsmann. MMBG will use a decoding box developed by Seca, the French-based technical company jointly owned by Bertelsmann and Canal Plus.

Whichever group wins the race to launch digital TV, the key to its success will rest with Premiere.

So far, Premiere remains a tug of war between Bertelsmann and Kirch because of the conflict of interests in the channel's shareholding structure. Meanwhile, News Corporation still has its eye on a stake in Premiere as part of its own plans to launch its Europe-wide digital TV network.

"Everything is up for grabs," says one analyst. "Kirch and Bertelsmann will fight it out to the end to win market share, to control Premiere and to be the best in providing content. it will be a bitter contest. The market may not allow both to survive. It may force them to unite."

Croatian drugs group sets price for equity issue

By Gavin Gray in Zagreb

The international equity issue for Pliva, the Croatian pharmaceuticals group, was priced yesterday at a range of K4,150 to K5,100 a share, valuing the company at between $415m and $510m.

The deal, the first international equity offering by a Croatian company, opens today in London with the launch of a roadshow for Europe and the US. The domestic offering will open next week.

Global co-ordinators for the sale are Union Bank of Switzerland – its first big east European corporate finance transaction – and Zagrebacka Banka, a Croatian bank.

Half the stock will be sold internationally in the form of Global Depositary Receipts, with 50 GDRs representing one share. At current exchange rates, the GDRs will be priced at the equivalent of $15.22 to $18.70. Final pricing will be set on March 28.

Pliva is best-known for its discovery of the antibiotic azithromycin, which it licensed to US group Pfizer in 1986 for sale in the US and western Europe, where it is known as Zithromax. Pliva uses the name Sunamed for sales in eastern Europe and the former Soviet Union. Worldwide sales of the drug nearly doubled last year, to $400m.

UBS is sponsoring an application by Pliva for a primary share listing on the London Stock Exchange, which would be the first by an industrial company from eastern Europe.

Pliva will also list its GDRs in London and seek a quotation on the Zagreb stock exchange. The shares are expected to start trading by April 11.

The offering will raise between K622m and K765m for the government, which is selling 30.8 per cent of the company. Its stake will be further diluted to 46 per cent in a targeted capital increase that will bring in the European Bank for Reconstruction and Development as an 11 per cent shareholder.

The Croatian government, the EBRD and Zagrebacka, which is subscribing to one-third of the offering, have undertaken not to sell additional stock for two years.

Sicilcassa staff stage stoppage

By Robert Graham in Rome

Employees of Sicilcassa, Sicily's second largest banking institution, staged a 24-hour stoppage yesterday, pressing for guarantees for the savings bank to be quickly refloated following last week's intervention by the Bank of Italy.

The central bank was obliged to dismiss the board and appoint a special administrator following the discovery of losses believed to be close to L1,200bn ($768m) plus a portfolio of loans at risk of at least L4,500bn. Against this Sicilcassa has capital of L900bn.

This is one of the biggest interventions by the Bank of Italy in recent years. Last year Mr Giovanni Ferraro, Sicilcassa chairman, was arrested on charges of alleged improper banking. An important part of the bad loans were extended to businesses with alleged Mafia connections.

The central bank's move also highlights the problems of the publicly-controlled financial institutions in southern Italy. These have been traditionally run on political and social criteria rather than strict banking rules. As a result they have been hit by a combination of the recession, high overheads and the collapse of the old political system which was frequently linked to organised crime.

Banco di Sicilia, the main Sicilian bank owned by the Sicilian region and the treasury, found itself in a situation not dissimilar to that of Sicilcassa two years ago and is undergoing painful restructuring.

Banco di Napoli, the most important bank in southern Italy and now owned by a foundation, revealed a L1,560bn first-half loss in 1995 following a vigorous Bank of Italy inspection. The bank is shortly expected to announced its full 1995 results with reports that the losses could reach L2,500bn.

Microsoft, Intel to develop Internet conferencing

By Louise Kehoe in San Francisco

Microsoft and Intel are jointly developing technology which they say will make video, voice and data conferencing via the Internet as commonplace as a telephone call.

The world's largest software and semiconductor suppliers said the technology would be available later this year and be based on established communications standards.

Among the companies supporting the development is Netscape Communications, the leading supplier of Internet browser software, which earlier announced plans to incorporate its own video, data and audio conferencing software in a future version of the Netscape Navigator program.

Enhancing communications via the Internet could be a significant challenge to telecommunications companies, analysts said. For the cost of a local telephone call, Internet users will be able to hold voice or video conferences in most parts of the world.

The developments "will fundamentally change the model of communication on the Internet", said Mr Frank Gill, Intel senior vice-president. "Businesses will reach consumers with both information and personal services. Families, interest groups and friends will use ... video telephones to communicate."

The news was one of several Internet-related announcements from Microsoft and Netscape yesterday, as the two race to establish leadership in the rapidly growing market for Internet software.

Microsoft also launched an add-on program for Windows 95 designed to simplify the use of ISDN telephone lines, which reduce the time it takes to download graphics from the Internet and will be an essential element of new communications features.

Separately, Microsoft announced an agreement with DirecTV, a satellite broadcasting service owned by Hughes Electronics, to enable PCs to receive digital video programming. DirecTV subscribers with suitably-equipped PCs will be able to access new data services as well as television broadcasts. These will include selected Internet content, multimedia magazines and other data subscription services.

Netscape also announced marketing agreements with America Online and CompuServe, the two leading online information services. Subscribers to these services – currently about 10m – will in future be offered use of Netscape's Internet browser software.

Netscape is attempting to forge similar arrangements with all leading online services and Internet access providers. Microsoft, however, is doing the same and the Netscape agreements with AOL and CompuServe are non-exclusive.

AT&T, meanwhile, announced an agreement with America Online to provide new subscribers to its WorldNet Internet service with access to the online information service. AT&T is also in talks with CompuServe about a similar arrangement.

Recovering its faded image as the bulldog breed

After a decade of decline Mack trucks are back on the road to prominence, reports **Haig Simonian**

The phrase "built like a Mack Truck" has entered the American vocabulary as a description for robustness and reliability.

Since being dubbed the "Bulldog" by allied troops in Flanders during the first world war, the image stuck through America's boom years, when Mack tippers could be found at every big building site from the Boulder Dam to the New York subway system.

Mack's legendary solidity took a nosedive in the 1980s, when the company suffered a war of attrition between its unions and management. That damaged profits and stifled investment. By 1979, Renault, the French car and truck group, had taken 10 per cent of the group and seemed its only hope for salvation.

It is a measure of the poor timing of Renault's investment that all its subsequent share purchases grew progressively cheaper until it gained full control in 1990. At one stage, observers wondered whether Mack's French saviour, struggling to improve profits in Europe, might not end up delivering the coup de grâce.

Contrary to expectations, Renault stuck the course, and Mack, if not a roaring success, is no longer a basket case. Buoyed by the recovery in the US truck market – especially in the heavy Class 8 vehicles of more than 15 tonnes in which it specialises – it lifted sales 7.4 per cent in 1995.

The company also regained some of the market share it lost during its worst years. Mr Pierre Jocou, the chief executive brought in from Renault in March 1995, accepts the company will never regain its peak sales of 1979, when almost one Class 8 truck in five sold in the US was a Mack. However, last year's respectable 12 per cent market share represented an improvement from 10.1 per cent in 1992.

Mack, if not a roaring success, is no longer a basket case

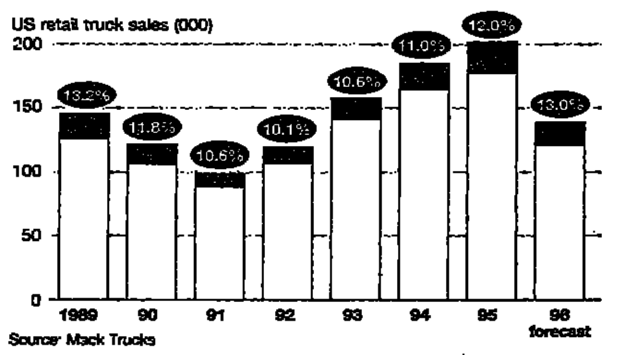
Mack's earnings are harder to judge, as its figures are buried in Renault's group results. However, Mr Jocou says it is trading profitably now after years in the red. Long-overdue rationalisation and cost cutting, combined with US economic recovery, have been the reasons.

But the task now, says Mr Jocou, is to solidify Mack's tentative recovery. He wants to decouple the company, among the smallest – and therefore most vulnerable – US truck-makers, from the notoriously cyclical US heavy truck market. In the past five years, demand has moved from a trough of just 92,000 units in 1991 to a peak of 202,000 last year. The outlook for this year is poor, with forecasts of a 30 per cent plunge in demand.

That means Mack will need to reduce its break-even point even further to stay on track to meet Renault profitability targets. The aim, says Mr Jocou, is to remain profitable selling just 14,000 vehicles – compared with a break-even of 20,000 units today.

That is the lowest level to which production is expected to sink, based on a 12 per cent share of the US Class 8 market and a slump in demand to 120,000 units.

Mack Trucks: market share



Source: Mack Trucks

Mack still has a long way to go. Margins have improved, allowing the company to catch up with Navistar, a bigger rival, and roughly to match Volvo. But it is still well behind Freightliner, which is probably the leanest company in the business. Mack's profits before interest and tax reached $49m in 1994 – but that was one of the best years for the industry as a whole.

Mr Jocou believes the goal can be achieved, thanks to Renault's new-found enthusiasm for its US offshoot. In 1993, when Renault was locked in merger talks with Volvo, Mack was little more than an afterthought in Paris. The focus then was on rationalising European car and truck operations. At some later stage, Renault and Volvo, which also owns a big US truckmaker, would presumably have turned their attention to combining their US activities.

The merger's collapse exposed the relative weaknesses of Renault's commercial vehicles business and prompted the resurgent interest in Mack.

Although executives from both the French and US companies admit the potential for synergies is limited by the very different demands of hauliers on either side of the Atlantic, they see considerable scope for buying some components, such as cylinder blocks and starters, together and for sharing the development of others, such as engines and suspension units.

Mr Jocou's second method to buttress Mack is to expand sales in the big markets for long-distance transportation, now dominated by Navistar and Freightliner, and to reinforce its traditional presence in trucks for construction and waste collection.

The company has already signalled its intentions with the launch of the CH range of heavy-duty tractors for the long-distance "highway" market. Only with the new range can it convince the big leasing and transport groups which dominate the business that it is a serious player, argues Mr Jocou.

He recognises, however, that growth will be painstaking. To win the confidence of new customers from outside Mack's traditional bastion in the north-eastern US, the company must improve its coverage in the west and the south, where it is under-represented and its market share is below average.

That means redistributing its dealer network towards the west. More balanced coverage is vital to win the confidence of America's myriad independent hauliers.

Unlike other US truck-makers, Mack is a vertically integrated operation, building its own engines and gearboxes. In spite of the much greater reliability of such components today, independent truckers are extremely reluctant to buy vehicles unless a manufacturer has the dense dealer network seen as essential in case of a breakdown.

Mr Jocou's other way to reduce Mack's dependence on the domestic market is by expanding sales abroad. Mack already has a sizeable operation in Australia, where it ranks second in sales of heavy trucks, and it also assembles vehicles in Venezuela and New Zealand.

Mr Jocou would like to spread the net to Mexico and Brazil, where buoyant long-term demand is forecast. Although the new plants would be joint ventures with local partners, most supplies would come from the US, helping to iron out the swings in the home market.

Mr Jocou will not reveal how the negotiations are going.

Some observers are sceptical about his plans, as Mack has talked about Mexico before. However, Mr Jocou says the latest talks are much more serious.

As the engineer who made his name raising the quality of Renault's cars in Europe, people are paying more attention this time.

AMERICAS NEWS DIGEST

Berkshire Hathaway outperforms index

Mr Warren Buffett's Berkshire Hathaway outperformed the S&P 500 index for its 15th consecutive year in 1995. The insurance and investment group increased its per-share book value by 43.1 per cent to $14,426 during 1995, compared with a 37.6 per cent return from the S&P 500 index, including dividends.

The group's performance during the year was helped by large holdings of stocks such as Coca-Cola and Gillette, which outperformed the market, and of Capital Cities/ABC which received a takeover bid from Walt Disney.

Berkshire Hathaway shares fell $100 to $36,900 in early trading yesterday, after a $900 fall in Friday's market slump. However, they have risen from $31,700 since mid-February when Mr Buffett proposed a "do-it-yourself stock split" which would allow investors to divide each share into 30 B shares, so reducing the heavy share price. The plan has to be approved by shareholders at the annual meeting in May.

Earnings from the group's operations, including the insurance activity, the manufacturing, retailing and publishing businesses, fell slightly from $606m to $600m over the year. The group realised an investment gain of $125m after tax, compared with $61.1m in 1994, but said this figure had no predictive or analytical value. Investment gains taken in any year depend on the timing of sales.

That left net earnings up from $495m in 1994, after a $178m write down of the group's holding of USAir preferred stock, to $725m. Earnings per share were lifted from $420 to $611.

Total shareholders' equity rose by 45 per cent to $17.2bn. During the year the group issued nearly 10,000 shares in connection with two acquisitions, adding 1.3 per cent to the number in issue.

Maggie Urry, New York

WR Grace sells water arm

W.R. Grace, the US chemicals and healthcare group, has sold its Dearborn water treatment subsidiary to a rival US water treatment company, Betz Laboratories, for $632m. Grace, which has undergone a change of management in the past year, had put the business up for sale as part of a wider corporate restructuring.

Betz, a quoted company based in Pennsylvania, said it expected cost reductions of $40m to $50m from the merger, and that earnings should be increased within 18 months as a result. Dearborn has sales of $400m and Betz about $800m.

Both companies specialise in producing chemicals to treat industrial water. Betz claimed the two were complementary, since it has 72 per cent of its sales in the US, while Dearborn has only 30 per cent. Combined non-US sales would be 45 per cent of the total.

Grace said the proceeds of the sale, together with a payment of $2.3bn due on the merger of its healthcare business with Fresenius of Germany, would be used to repay debt and buy back up to 20 per cent of its stock. Grace is under particular pressure to perform at present, having just turned down a bid approach from its smaller rival Hercules.

Betz's shares fell $1 to $42¾ in early trading, valuing the company at $1.2bn. Grace's shares fell $¼ to $78¼.

Tony Jackson, New York

CTC poised to announce merger

CTC, Chile's biggest telecoms company, is expected soon to announce the merger of its cellphone business with the cellphone operations of a smaller rival, VTR, jointly owned by the Luksic interests and US telephone company Southwestern Bell.

The new joint company would be held 55 per cent by CTC, and 45 per cent by VTR. It would operate all wireless telephony operations for the two partners.

Neither company would comment. But Mr Felipe Bosselin, chief analyst at stockbrokers Larrain Vial, commented that the merger would bring clear benefits for both companies if it helped them avoid over-investment.

Total sales for the four companies with cellphone operations were worth $250m last year, and there were 200,000 customers throughout Chile. But the government is about to award three licences for personal communications systems, based on digital networks which offer better transmission quality and range.

The PCS licences will be for nationwide coverage, while the cellphone licences give the concession for either the Santiago-Valparaiso region or the rest of the country. CTC holds the concession for the capital, while VTR operates in the provinces, so combining their networks makes sense.

Imogen Mark, Santiago

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INTERNATIONAL COMPANIES AND FINANCE

Cathay Pacific beats expectations with 25% rise

By John Ridding in Hong Kong

Cathay Pacific Airways, the Hong-Kong based carrier controlled by Swire Pacific, has exceeded market expectations with net profits of HK$2.98bn (US$385.5m) for 1995, a 25 per cent increase on 1994.

Mr Peter Sutch, chairman, said 1995 had seen a strong performance and struck an upbeat note about the airline's prospects. "The signs are that 1996 is starting how 1995 finished off – on a strong note."

According to Cathay, last year's results reflected two main factors, increased revenues and progress in curbing costs. Turnover rose from HK$27.22bn to HK$30.45bn, including increases in all three divisions – passengers, cargo and catering.

Revenues increased in most markets, particularly in north Asia. The strength of the yen provided a boost to profits, as did a change in depreciation policy which extends from 15 to 20 years the write-down period for aircraft.

Yields also improved, helping to lift operating margins from an average of 8.8 per cent in 1994 to 9.8 per cent last year.

Mr Rod Eddington, managing director, said the airline's modernisation programme would enable further efficiency gains. The upgrading of the carrier's fleet, which will bring 16 new aircraft this year, will help to reduce maintenance and fuel costs, he claimed.

Industry analysts said that Cathay's 1995 results confirmed a recovery from the difficult years of the early 1990s. But they warned of increasing competition in the region and uncertainties relating to attempts by CNAC, the mainland carrier, to establish operations in Hong Kong.

Cathay has expressed concerns about CNAC's intentions, claiming that as a subsidiary of China's civil aviation authority it would distort competition in the Hong Kong market. As Hong Kong's *de facto* flag carrier, Cathay also argues that granting a licence to CNAC would be a breach of the "one country, two systems" formula which governs the colony's handover to Chinese sovereignty next year.

Cathay had sought to divert CNAC's ambitions by selling it a stake in Dragon Air, the Hong Kong-based airline which has established itself as a successful business carrier to China and a few regional destinations. Although talks appeared to have foundered, Mr Sutch said yesterday that further discussions were likely.

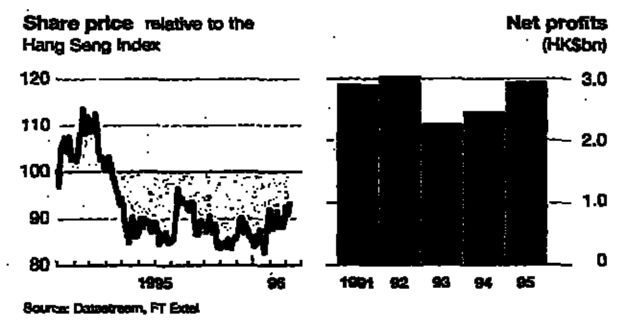
The Cathay chairman gave an optimistic assessment of Hong Kong's future as an aviation hub. "We have invested HK$3.5bn in our new headquarters at Chek Lap Kok [Hong Kong's new airport due to open in April 1998]," Mr Sutch said. "If ever there was a clear signal that we are confident in the future, then that is it."

Reflecting the improvement at the net level, earnings per share rose from 83.4 cents in 1994 to 104 cents. The dividend was raised from 42 to 48 cents.

COMPANY PROFILE:
Cathay Pacific Airways

Peter Sutch
chairman

Market capitalisation	US$5.1bn
Main listing	Hong Kong
Historic P/E	17.21
Gross yield	2.96%
Earnings per share	HK$1.04
Current share price	HK$13.65



Source: Datastream, FT Extel

Tan moves closer to control of PAL

By Edward Luce in Manila

Senior officials at lossmaking Philippine Airlines (PAL) said yesterday that a 12-month share dispute between the government and Mr Lucio Tan, the carrier's chairman, which had delayed a much-needed capital increase, would probably be resolved by the end of this month.

Under the terms of the agreement being drawn up by the government and Mr Tan, a leading Chinese-Filipino businessman, PAL would increase its capital stock by an initial 5bn pesos to 10bn pesos ($382m) while government shareholders would permit Mr Tan to take majority control of the airline.

The 5bn peso stock issue, which is expected to be approved by the end of the financial year on March 31, would remove the final obstacle to a US Export Import Bank 12-year loan to help re-equip the airline's fleet.

The $950m loan – which together with lending from private banks, including Allied Bank, owned by Mr Tan – is considered an essential prelude to restoring PAL to financial health.

PAL is also planning to secure loans from European government agencies.

"We are optimistic that the government will submit the final agreement on ownership of the airline by the end of the month," Mr Jaime Bautista, finance director of PAL, said yesterday. "This would remove the last obstacle to the resumption of normal management of the airline."

The dispute, which has in effect frozen the airline's ability to raise its capital or negotiate loans, began at the stockholders' meeting last March, when government institutions disputed Mr Tan's right to speak for their 20 per cent share in a holding company he controlled. The company, PR Holdings, which is 51 per cent owned by Mr Tan, in turn controlled 51 per cent of PAL, giving Mr Tan indirect ownership of the airline.

Under the agreement the holding company would be dissolved, enabling government shareholders in PR Holdings to take a direct stake in PAL, but the government would waive its right to subscribe to the 5bn peso capital increase.

Government institutions, which would collectively own about 40 per cent of the recapitalised airline, would retain the right to sell their stakes to Mr Tan within six years at the original selling price.

The recapitalisation will allow PAL to embark on a $2.5bn modernisation programme over the next three years. The airline plans to acquire seven Boeing 747-400s, eight Airbus A330s and 12 Airbus A320s.

The airline is expected to more than double its losses this year to about 2.5bn pesos.

Air NZ renews bid for stake in Ansett

By Terry Hall in Wellington and Nikki Tait in Sydney

Air New Zealand will today renew its bid to gain a significant foothold in Australia's domestic aviation market by seeking approval from the New Zealand Commerce Commission for the purchase of a 50 per cent stake in Ansett Airlines from TNT, the Sydney-based transportation group.

The commission rejected an initial A$425m (US$327m) proposal put forward by TNT and Air NZ two months ago because of concerns that it could threaten competition in New Zealand's domestic market. Ansett's New Zealand subsidiary is Air NZ's main competitor on the country's domestic routes, and the commission felt Air NZ's offer to "ring fence" these operations was inadequate.

The new proposal, to be considered by the commission at a three-day conference starting today, would give a key role to Mr Rupert Murdoch's News Corporation, which shares ownership of Ansett with TNT.

News would maintain control of Ansett New Zealand by making a special issue of B class shares, through which it would oversee the composition of the Ansett New Zealand board of directors. No Air NZ directors or managers would be appointed to the Ansett New Zealand board.

Legal experts said they believed the proposal would continue to present problems to the commission on anti-competitive grounds. But News' submission to the commission has been strongly supported in a letter by Mr Graeme McMahon, Ansett's chief executive.

Air NZ, in its submission, said it strongly disagreed with the commission's preliminary decision. It said both Air NZ and Ansett New Zealand would be maintained as independent airlines. Air NZ would exert no direct or indirect influence over Ansett New Zealand.

By contrast, Qantas and the Kiwi Travel International, which both operate international flights from New Zealand, have said that they back the commission's preliminary decision.

Qantas has said it is concerned at the "ring fencing" proposal to separate Air NZ and Ansett New Zealand, and does not entirely rule itself out as a potential purchaser of either Ansett New Zealand or Air NZ's own domestic airline, should either be offered for sale.

Japan to cut prices of prescription drugs

By Emiko Terazono in Tokyo

The Japanese government is to cut prescription drug prices by an average 8.5 per cent as part of a regular series of biennial price reviews.

The cut, which will affect both domestic and overseas suppliers, comprises a 6.8 per cent general price reduction and an average 1.7 per cent additional cut for drugs which have posted higher than expected sales. It is one of the severest cuts of recent years – in 1994 prices were reduced by 7.2 per cent, including a 0.6 per cent special cut.

The move is part of the government's effort to reduce the mounting healthcare bill borne by the state. Drug spending accounts for 30 per cent of Japan's Y27,500bn ($260bn) overall annual medical costs.

The price cuts are aimed at reducing the Y1,200bn in profits made by medical institutions which purchase the drugs from wholesalers and pharmaceutical companies at discounts and are reimbursed by the state at official prices.

Companies whose drugs have been targeted for reductions include Osaka-based Ono Pharmaceutical, which faces a 25 per cent price cut in Kinedak, a diabetic neuropathy drug accounting for 24 per cent of its profits.

Foreign companies affected include Schering of Germany, which sees a 12.8 per cent cut in its x-ray imaging agent – accounting for 60 per cent of sales – and Eli Lilly of the US, whose anti-biotic remedy and human growth hormone have been cut by 15.5 per cent and 13.2 per cent respectively.

NEWS DIGEST

David Jones sales short of forecast

Lacklustre sales growth has led David Jones, the recently-floated Australian department store group, to warn that it does not expect to reach the turnover projections made in its October share prospectus.

At that time, it estimated that sales should rise 6 per cent in 1995-96 to A$1.53bn (US$1.18bn), with "same-store" sales growth being around 3 per cent. But yesterday the company said sales had risen by only 1.1 per cent in the half-year to end-January, reaching A$790.3m.

It added that retail sales in February had continued at similar levels and "based on current projections, the company does not expect to achieve the sales forecast declared in the prospectus".

But David Jones, one of two big department store groups in Australia, added that profits before interest and tax had risen from A$60.8m to A$63.4m in the same six-month period, with the after-tax figure being A$44.6m. The group said it should still achieve its prospectus forecast of a A$111m of pre-interest profits for the year, up from A$100.4m in the previous 12 months. *Nikki Tait, Sydney*

SA Breweries in Romania

South African Breweries has stepped up its expansion into the former Eastern bloc with the purchase of a 70 per cent stake in Vulturul SA, a state-owned Romanian brewery, for $18m. SAB, South Africa's largest brewer, already owns two breweries in Hungary, including Kobanyai, the local market leader, and is in the bidding for the privatisation of Poland's Tychy brewery.

The company becomes one of several international brewers, including Germany's Brau und Brunnen and Interbrew of Belgium, to invest in Romania, eastern Europe's second largest market. It said $10m of the $18m purchase price would be invested in modernisation of Vulturul, including its brewing facilities, packaging, distribution and marketing. Vulturul, a medium-sized brewery based in Buzau in eastern Romania, has annual brewing capacity of 500,000 hectolitres and malt capacity of 11,000 tonnes. *Virginia Marsh, Budapest*

Japanese invest in Hungary

CSK, one of Japan's largest information technology companies and software producers, and Nippon Investment & Finance, a venture capital unit of Daiwa Securities of Japan, have invested $7.5m in a minority stake in Graphisoft of Hungary, a leading computer-aided design software developer for Apple Computer and Microsoft of the US.

The size of the stakes sold – the first significant foreign investment in Graphisoft, one of Hungary's best known private companies – has not been disclosed. Graphisoft, which had sales of about $15m last year, is the leading architectural CAD software producer worldwide for Apple's Macintosh computers. *Virginia Marsh*

Clal Industries chief to quit

The managing director of Clal Industries, a subsidiary of one of the country's biggest conglomerates, Clal Israel, has submitted his resignation to the board. Clal's board will meet in two weeks to approve the resignation of Mr Meir Laser, whose duties will meanwhile be taken over by the company's president and chief executive, Mr David Wainshal.

Mr Laser, who has been with Clal for 26 years, had originally announced his intention to step down nine months ago, but was persuaded to stay on. He will continue as chairman of Clalcom, Clal's telecoms company, which is competing for a licence to provide international phone services in Israel. *Reuter, Tel Aviv*

Laporte drops to £24m after exceptionals

By Motoko Rich

Laporte, the speciality chemicals company, is to cut its head office staff by 40 per cent as part of a restructuring programme that should add more than £10m ($15.3m) a year to profits from 1997.

Mr Jim Leng, announcing his first results as chief executive, said the group would be making about 300 employees redundant this year, 80 of them from the group's head office in Luton.

Mr Leng said the group would also sell businesses representing about 10 per cent of sales.

Exceptional charges of £88.7m associated with the restructuring programme forced pre-tax profits down by 80 per cent to £24.5m for the year to December 31.

Stripping out the exceptionals, pre-tax profits dipped by 8 per cent – less than the 10 per cent fall which the company predicted in a profits warning last December.

Turnover rose nearly 11 per cent to £1.08bn. Excluding the impact of acquisitions, underlying sales rose 8 per cent.

Mr Leng said the speciality organics division, which generated 18 per cent of profits, delivered a disappointing performance in the second half, with profits down nearly 50 per cent due to de-stocking. Overall, divisional profits of £20.4m were down 8 per cent on last time.

The absorbents and pigments division and the compounds and electronic materials businesses delivered strong performances.

Profits in the adhesives, sealants and coatings division were virtually unchanged at £17.2m, while the surplus in the hygiene and process businesses fell 23 per cent. Profits in other activities, which included industrial material and minerals, dropped 65 per cent.

On 1996 pre-tax profit forecasts of £122m, the shares are trading on a p/e of 15.6, about a 10 per cent premium to the market.

Rugby falls and plans restructure

Rugby Group is to build a £100m ($153m) British cement works and to sell non-core subsidiaries as part of a wide-ranging re-organisation of its UK, Australian and US businesses, writes Andrew Taylor.

The plans were announced as the cement and joinery company reported a higher than expected fall in 1995 pre-tax profits to £45.8m (£76.1m).

Some 200 jobs are expected to be axed in Britain as a result of the closure of two plants whose output will be replaced by the new cement works to be built at the group's headquarters.

Rugby plans to sell its steel reinforcement, steel structures and cladding subsidiaries. It will concentrate on developing its core businesses of cement and lime production in the UK and Australia and joinery in the UK, US and Australia.

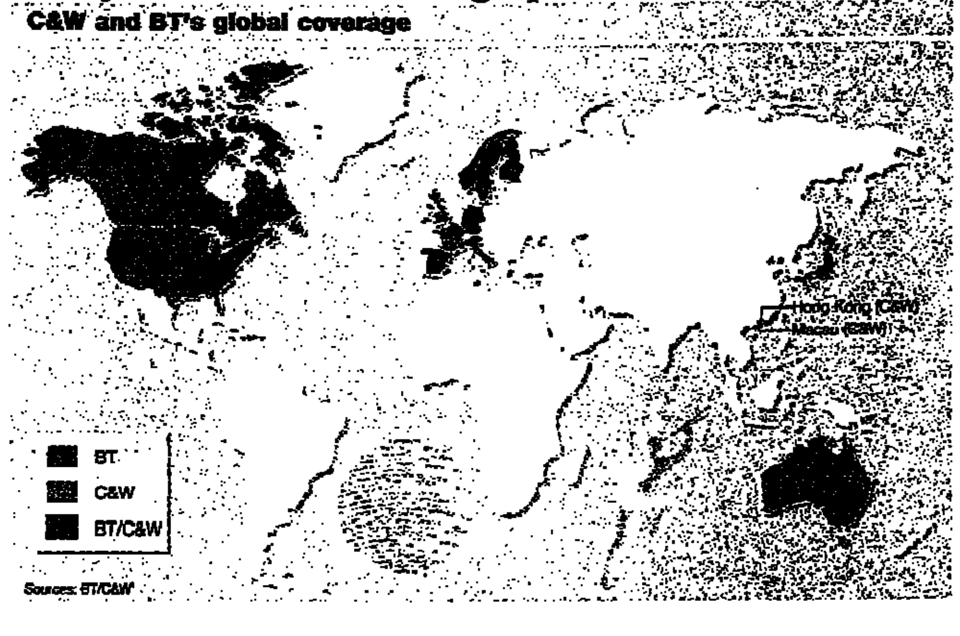
Rugby is to reorganise its under-performing US building materials distribution businesses.

Last year's profits included a £14.6m exceptional costs to cover the expense of the US reorganisation which is expected to take place over the next 18 months. A further £2.5m charge was made to cover the reorganisation of the Australian joinery business.

Let's call the whole thing off

Alan Cane looks at why BT and C&W hung up on their merger talks

C&W and BT's global coverage



A merger of British Telecommunications and Cable and Wireless, the UK's largest and second largest telecoms companies respectively, would have created an international operator with complementary skills and global reach.

It would also have brought to the surface a plethora of regulatory, competitive and logistical problems seeking clever solutions, not least of which is the "poison pill" represented by Hongkong Telecom, of which C&W holds 57.5 per cent.

A bid for C&W, if successful, would require buying out the minority shareholders of the Hong Kong group, raising the price from its present market capitalisation of about £10bn to about £16bn: a price that BT would not have been prepared to countenance. The radical solution the two companies were pondering when talks were broken off – a reverse takeover of BT by C&W – indicates that both sides attached considerable importance to the possibility of a deal.

The talks were discontinued because of a failure to agree on the price to be paid and concerns over the companies' German operations. BT has a strategic alliance with the German companies Viag and RWE, while another German group, Veba, holds a 10.5 per cent stake in C&W. Veba's agreement would have been needed for a merger to go ahead.

BT approached C&W in November last year. It was not the first time the two companies had discussed an alliance of some kind. In the information technology business, there is a continuous round of discussions with rivals and potential allies, as companies jockey for position. These talks were being taken seriously. It seems at least three options were considered. A loose alliance, with special emphasis on the Far East, a partial merger, or a complete merger.

Mr Rod Olsen, C&W's acting chief executive, said in a weekend statement: "After carefully evaluating the proposal, the C&W board rejected it as not being in the best interests of our customers, shareholders and partners."

A successful deal would have given BT a boost to its ambitions in Asia, chiefly through the acquisition of Hongkong Telecom. Sir Peter Bonfield, BT chief executive, told the FT recently: "Our intention is to be a world class telecoms company, which means we have to operate outside our island base. We are under-represented in the Asia Pacific region. Our European strategy is a little fragmented, but it is beginning to make sense."

BT has established strategic alliances in Germany, Spain and Italy in the past two years. It is also represented in the US through its partnership with MCI, the second largest carrier.

In C&W, it would have found a company with operations in more than 50 countries, but with a lack of coherent strategy. It is still seeking a permanent chief executive after the departure of Mr James Ross and chairman Lord Young of Graffham late last year. The idea of a "federation" of companies, able to collaborate globally when necessary is no longer valid. Hongkong Telecom is the focus of its activities in the Asia-Pacific region, with Mercury as the hub in London, and Veba the hub for continental Europe. It has interests in the Caribbean and Central and South America.

Hongkong Telecom is the crown jewel, however. In the six months to September 30, it made an operating profit of £405m on a turnover of £1.13bn. The entire group made a pre-tax profit of £616m on revenues of £2.71bn in the same period.

BT, moreover, is anxious to hold and extend its lead in providing "end-to-end" services to international customers through Concert, its joint venture with MCI. The operation is losing money, but has lished a blue chip list of customers. Competition, however, from AT&T, the largest US carrier and Global One, the joint venture between France and Germany's national telecoms operators is intensifying. It badly needs an Asian partner.

Despite the breakdown of the C&W talks, BT has plenty to occupy it.It has to divert more funds to its international operations, and cope with the liberalisation of European Union markets in 1998. Yet it may not be long before the two start talking again.

Mercury Communications misses competition target

If BT had been able to conclude a merger with C&W, one of its first tasks would have been to find a buyer for Mercury Communications, in which C&W has a 80 per cent stake, the remainder being held by Bell Canada, and Mercury One-2-One the mobile operator in which it has equal stakes with US West, writes Alan Cane.

Mercury was the spearhead of the government's drive to liberalise the telecoms industry. As the smaller partner in the duopoly licensed to provide public switched telecoms services, its role was to expose BT to the fierce blast of competition. It took some business from BT, especially in the lucrative business market but failed to make the hoped-for impression. BT's overall market share is still near 80 per cent.

UK telecoms has since been opened up to any company which can qualify for a licence, but competition is still rudimentary. It is inconceivable that Mr Don Cruickshank, the telecoms regulator who is keenly anxious to encourage a competitive market, would allow Mercury to be taken over by BT.

Who would buy the company? At the right price, almost any company with serious intentions in the UK market. Mercury has a modern fibre optic network in place and countrywide coverage. AT&T is known to have opened negotiations but says it is no longer pursuing the company.

LEX COMMENT

UK results

The UK results season shows corporate Britain in good health. The three dozen large industrial companies which have reported so far have increased their underlying profits by an average of 28 per cent. Strong results from GKN, Rolls-Royce and Cookson have more than outweighed mild disappointment at Unilever and Cadbury-Schweppes. Average dividend growth is running well above forecasts at 11 per cent, buoyed by the generosity of the big oil companies and banks. The outlook is still positive. While economic growth is hardly sparkling, inflation has, so far, remained subdued.

And cost-cutting continues. During the past month, UK companies have set aside almost £1bn for restructuring. That should help to protect margins until volumes start to pick up again towards the end of 1996. Analysts estimate average earnings growth of 10 per cent both this year and next. And with much of the corporate sector still cash-rich and enjoying comfortable dividend cover, there is plenty of room for double-digit dividend increases and further share buybacks.

Consumer stocks, like retailers, have some of the best prospects as tax cuts and building society handouts feed into peoples' pockets. Lower interest rates will also help smaller companies, which are more dependent on the domestic economy. By contrast, the outlook for cyclicals is still clouded, though chemicals and steel appear to be weathering destocking better than paper and pulp producers. Yesterday's poor manufacturing output figures suggest that for large industrials the best may already be behind them.

Asia growth helps Spirax rise 25%

By David Wighton

Spirax-Sarco Engineering, the Cheltenham-based steam equipment specialist, recorded a 25 per cent jump in pre-tax profits to £43.1m ($66m) in 1995, helped by favourable world economic conditions.

Sales were 15 per cent higher at £251.3m, with two-thirds of the increase attributable to volume growth. Strongest growth came in Asia, where sales increased 24 per cent to £58.4m, helped by a strong performance from South Korea.

Mr Chris Tappin, chairman, predicted "another year of good progress", although he did not expect conditions to be quite so helpful. "There are concerns over the French and German economies. We haven't seen much sign of a slowdown yet, but then we are a late-cycle business."

The one area of weakness was Brazil, as the group predicted at the interim stage. After a strong first half, Brazilian profits showed no year-on-year advance in the second six months. This accounted for most of the slowdown in group second-half profits, after the 36 per cent interim rise.

Spirax is setting up a subsidiary to develop its business in mainland China.

Sophus to retain Rentokil

Sophus Berendsen, the Danish majority shareholder in Rentokil, said yesterday that it would not sell shares in the industrial services group for at least five years, writes Geoff Dyer.

The announcement followed speculation over the weekend that Sophus, a services and distribution group, might reduce its stake to finance other activities if Rentokil's £1.8bn hostile takeover bid for BET, the business services group, was successful.

As a result of the cash and paper offer, Sophus' stake in Rentokil could drop from 52 per cent to 36 per cent.

Meanwhile, in response to BET's first defence document, which was published on Sunday, Mr Clive Thompson, chief executive of Rentokil, denied that Sophus would face a serious conflict of interest as a result of a takeover.

BET's document pointed out that Hokatex, its textile services business in the Netherlands, was a direct competitor with another Sophus company. However Mr Thompson said that any Sophus member of the Rentokil board would not vote or participate in discussions about subjects where the conflict arose. This was in line with the Stock Exchange's listing conditions, he said.

Cost rises leave Vita 28% lower

"Unprecedented" raw material price rises and weak consumer demand in some markets resulted in a 28 per cent fall in pre-tax profits to £35.7m at British Vita, the speciality foam and fibre group.

In addition there were net restructuring and disposal charges of £12.7m.

Mr Rod Sellers, chief executive, said the group saw its sharpest raw material cost increases later in the cycle than most other speciality chemicals companies.

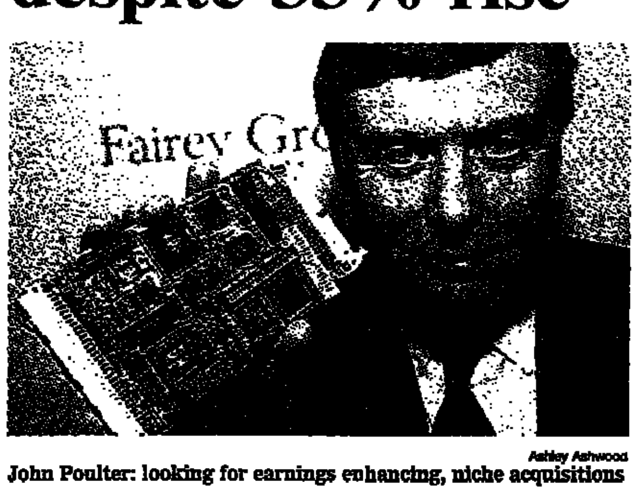
Mr Jim Mercer, head of European rubber and plastics operations, will replace Mr Sellers at the annual meeting on April 17.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Automated Security	Yr to Nov 30	153.7	(154.3)	7.4L♠	(11.8L♠)	9.2L	(13L)	nil	-	nil	nil	nil
British Vita	Yr to Dec 31	875.6	(769)	35.7♠	(49.5♠)	10	(14.73)	4	May 13	3.95	7.95	7.7
Cala	6 mths to Dec 31	42.5	(38.8)	2.06	(3.16♥)	3.2	(4.91)	1.2	Apr 19	1.1	-	3.2
Cortecs	6 mths to Dec 31	4.9	(3.2)	1.6L	(2L)	1.4L	(1.8L)	-	-	-	-	-
DCS	6 mths to Dec 31	14.3	(4)	1.2	(0.105)	4.27	(0.88)	0.5	Mar 26	nil	-	1
Domestic & General	6 mths to Dec 31	36.4	(34.6)	5.39	(5.05)	52.05	(47.71)	12.25	May 9	10.36	-	33.36
Fairey	Yr to Dec 31	196.3	(145.1)	34.2	(25.8)	27.4	(22.8)	5.45	June 14	4.75	8	7
Forward Tech Inds	Yr to Dec 31	58.7	(49.1)	3.05	(1.78)	6.8	(6.2)	1.75	May 31	1.5	2.75	2
Hibernian ♣	Yr to Dec 31	277.8■	(275.9■)	49.4	(5.62)	62.9	(9.2)	6.1	May 7	5.4	8.9	7.9
Hiscox Select	Yr to Dec 31✣	1.58	(1.85)	1.13	(1.32)	2.47	(3.07)	1.2	Apr 29	1.5	2.4	3
Laporte	Yr to Dec 31	1,068	(964.5)	24.5♠	(123.5)	4.3	(46.1)	14.5	May 30	14.5	23	22.4
Lopex	Yr to Dec 31	132.3	(145)	1.49♠	(0.89L♠)	1.41	(2.75L)	0.25	May 24	nil	0.5	0.25
Omnicare Φ	Yr to Dec 31	1.77	(1.67)	0.612	(0.42)	6.6	(5.4)	0.5	-	-	0.5	-
Partco	Yr to Dec 31	164.4	(136.4)	7.47	(6.22)	19.6	(16.6)	4.75	May 31	4.2	7	6.2
Pentland	Yr to Dec 31	754.9	(632.5)	38.2	(38.1)	6.31	(6.56)	1.95	Jul 1	1.85	3.3	3.1
Persimmon	Yr to Dec 31	249.4	(206.2)	22.8♥	(24.3)	14	(14.9)	6.5	Apr 29	6.5	9.5	9.5
Redrow	6 mths to Dec 31	95.3	(113.6)	12.1	(16.3)	3.9	(5.6)	1.1	Apr 19	1.05	-	3.15
Refuge	Yr to Dec 31	32.57	(31.25)	42.1	(31.4)	18.62	(12.68)	9.35	May 17	8.6	13.35	12.3
Roxboro	Yr to Dec 31	93.7	(69.5)	15.9	(12.2)	19.7	(18.4)	4	-	3.3	6	4.8
RPS	Yr to Dec 31	13.9	(9.59)	2.23	(1.3)	9.47†	(7.16)	1.85	May 5	1.6	3.4	2.9
Rugby Group	Yr to Dec 31	1,143	(1,011)	45.8♠	(76.1♠)	4.5	(8.1)	2.1	May 10	2.1	3.6	3.6
Spirax-Sarco	Yr to Dec 31	251.3	(217.9)	43.1	(34.6)	33.8	(27.9)	9.2	May 20	8	13.2	11.5
Suter	Yr to Dec 31	300.3	(244.9)	20.2♠	(23.6)	10.8	(13.9)	6.1	Jun 26	6	9.8	9.5
Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Kleinwort Developt	6 mths to Jan 31	691	(460.4)	0.267	(0.354)	4.41	(5.85)	2.75	May 10	2.75	-	11
Merchants Trust	Yr to Jan 30	295.79	(246.68)	12.4	(12.4)	12.09	(12.12)	3.25	May 24	2.95	12.25	11.5

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ΦAim stock. §USM stock. ♣Irish currency. ■Gross premiums. ✣ Comparative figures are for November 8 1993 to December 31 1994.

Fairey shares slip despite 33% rise



Ashley Ashwood

John Poulter: looking for earnings enhancing, niche acquisitions

By Patrick Harverson

Fairey Group, the acquisitive industrial electronics and specialist engineering company, maintained its strong growth record with a 33 per cent rise in pre-profits last year.

Aided by improved performances across its divisions and the acquisition of Loma, a detection equipment manufacturer, pre-tax profits rose from £25.8m to £34.2m ($52m) on sales of £196.3m (£145.1m).

The figures were at the top end of analysts' expectations but a modest warning about the outlook saw the company's shares fall 10p to 613p. Sir Robin Biggam, chairman, said: "We enter 1996 with confidence, despite a general economic environment which is ... ble than in 1995, particularly in Europe."

In recent years Fairey has been building up its electronics businesses, a strategy which has been paying dividends in the form of impressive margins and strong profits growth.

Electronics is now its largest business, and profits at the division climbed sharply to £21.7m (£13.4m), of which £2.14m was the nine-month contribution from Loma, which was bought for £18.2m. The electronics operations will be boosted further by January's purchase of Particle Measuring Systems of the US for £49m.

Mr Poulter said the company would continue to look for acquisitions that were earnings enhancing and that fitted the strategy of developing niche

COMMODITIES AND AGRICULTURE

Pechiney 'has no plans' for more aluminium restarts

By Kenneth Gooding, Mining Correspondent

Pechiney, the world's fourth-largest aluminium producer, was forced by its partners to re-start capacity at the Tomago smelter in Australia, according to Mr Jean-Pierre Rodier, chairman. He insists there are no plans to re-start Pechiney's other idled capacity, which might still be shut down at the end of this year.

Two of the four partners in Tomago's 340,000 tonnes a year smelter in New South Wales – the Australian Mutual Provident Society and Gove Aluminium – asked for production to be increased in the first quarter of this year. Pechiney, which has a 36.05 per cent stake in the smelter, was obliged to give way under the terms of its contract, says Mr Rodier. The fourth partner in Tomago is VAW of Germany, with 12 per cent.

Neither Pechiney nor VAW will begin to take extra metal until the second quarter. Tomago's output was cut by 10 per cent after the international trade agreement (or memorandum of understanding) was reached between some of the big aluminium producing countries early in 1994. The cut represented 14,000 tonnes a year from Pechiney's output and 4,500 tonnes from VAW's.

At present the rest of Pechiney's primary aluminium production plants are working at 85 per cent of capacity whereas the industry normally works at a rate of 100 per cent or above.

Pechiney has no clear idea yet about when it will bring the rest of the 180,000 tonnes of idled capacity back on stream. "It entirely depends on our customers," says Mr Rodier. "We will not bring capacity back into production until they want the metal."

At present demand for aluminium is "flat." Mr Rodier says customers built up stocks last year as aluminium prices rose and now they are working from stock. "We should see customer stocks back to normal levels in the second half of 1996."

Consequently, "I do not see any prospect of a serious drop or any big improvement [from the 1995 level] in our aluminium business this year".

London Metal Exchange aluminium prices are likely to remain volatile while so much industry capacity is closed, says Mr Rodier. But there is no reason for prices on average to be any higher in 1996 than they were at the end of last year.

Mr Rodier agrees with those analysts who suggest there will be supply constraints next year because there is so little new production capacity. Prices are likely to drop back again at the end of 1996 or in 1999.

Pechiney could expand with its partners at Tomago and Becancour in Quebec, adding 40,000 to 50,000 tonnes a year to its total capacity, without the need for substantial investment. Mr Rodier says, however, that it will be five years, before the group needs to make any decision about a more substantial increase in capacity such as a new smelter.

Status of Aluminium Cuts ('000 tonnes)

	MOU	Pre-MOU	Total
Alcoa	100	298	398
Reynolds	-	209	209
Pechiney	106	77	183
Alcan	84	66†	150
Kaiser	-	40	40
VAW	0	30†	30
Other	82	122	204
Total	372	842	1,214

Source: Macquarie Equities. MOU = memorandum of understanding. *All in Australia; †Permanent. Pre-MOU cuts include 228,000 tonnes a year of permanent cuts.

Vegetable group grows its own managers

Graduates are being recruited and trained for positions in the fresh produce industry

FARMER'S VIEWPOINT

By David Richardson

Ten years ago a handful of UK vegetable growers were relaxing in a pub after a meeting to discuss mutual problems. All were running substantial businesses supplying fresh produce direct to the fast-expanding and ever more demanding supermarket sector. The conversation turned to the shortage of skilled unit managers; to the fact that jobs associated with vegetables were not perceived as attractive prospects to ambitious young people; to the consequent difficulty of recruiting young men and women of real ability and potential. They quickly realised that all had similar problems.

Conventional farmers would have shaken their heads sadly and concluded that nothing could be done, or that "the government should do something about it". But being the type of people they were, they decided to something themselves.

They set up a company called Management Development Services (MDS) to recruit and train graduates for positions in the fresh produce industry. The handful of founder members has now grown to over 20. And since 1986, MDS has accepted about 140 graduates for their 2 year courses, some of whom are still being trained and many of whom now hold key management posts in MDS members' businesses.

Graduate recruitment and fast track training are, of course, common in many industries. So why is MDS worthy of special mention? Because, as far as I am aware, a self-organised and self-funded training scheme of this kind is unique in British agriculture and horticulture.

That is not to say that traditional farmers' sons and daughters are unable to benefit from further training. Indeed many of today's young farmers have been to university or college before returning home to work on, and participate in, the management of the family farm. Few, however, take the opportunity to gain extra experience of different management styles and a variety of related enterprises by working at a management level in other businesses. MDS ensures their trainees are exposed to several management cultures.

In recent years applications for places on the scheme have been coming in from 21 to 27 year-olds at the rate of over 150 a year. This is partly the result of presentations made by MDS's manager Lesley Sage, at all UK educational establishments that run land-based degree courses and partly because the training schemes' reputation is spreading. Selection is tough. In each of the past two years only 11 applicants were accepted – roughly one third of whom we female.

Successful candidates, most of whom, significantly, come from non-farming backgrounds, begin by going on an outward bound course. The way they tackle physical problems, interact as a team and self-assess their performances may appear to have little to do with cabbages or leeks but are regarded as a vital initiation to the following two years. Then begins the first of four secondments with member companies.

Typically these include a period managing a field operation, like harvesting a vegetable crop; another in charge of a grading or packing line; organising the logistics of delivering packed produce to point of sale; a research or development project; and time spent in a negotiating office buying or selling produce. Formal training sessions run by external lecturers are interspersed with the practical experience. MDS estimates that, including salary, each graduate trainee costs about £29,000 over two years.

Administration of the scheme is funded by a subscription of £2,000 a year from each member company, which also pays the salary and training costs of trainees while they are working with them. The qualification for successful candidates currently carries vocational status, but MDS is hoping the course will soon be recognised by the Institute of Management and universities.

Meanwhile the original objective of the founder members appears to be being realised. Some 70 per cent of trainees have taken permanent positions with MDS member companies and there is no longer such a shortage of suitably qualified graduates to help manage their businesses.

Last week I met some products of that training. One young man who completed his course only four years ago is now, at 27, the development manager of a company with a £50m turnover. He is a member of the executive team that runs it and is involved in setting up information technology and businesses analysis and deciding strategies for capital investment.

Another product of the scheme, a young lady aged 26, is now a key member of a team responsible for procuring tens of thousands of tonnes of prepacking potatoes each year. She is also in charge of selling all the potatoes that do not make the grade for the supermarkets – which is much more difficult than shifting top quality supplies, which tend to sell themselves. She has now embarked on further advanced training within the MDS member company that employs her.

Such levels of ability and maturity in people so young is remarkable in any business. In agriculture and horticulture it is a revelation. As I drove home I began to think how much broadacre crop farming could benefit from an enlightened approach to management training.

Yes, there are plenty of university and college courses teaching farming. Some of them even tackle management techniques. But none that I know of comes close to providing the breadth of experience those MDS young people are exposed to. Furthermore, the traditions of farming may militate against such a course being fully utilised. By far the most usual pattern is for the son or daughter to work for a year on the family farm, then go to college, and then come home for good.

A few apply for and are awarded such things as Nuffield Travel Scholarships, which encourage them to look at agriculture in other parts of the world and gain outside experience. Most scholars make their mark when they return, proving the point I am making. The rest stay at home arguing with their fathers, maybe, but still picking up most of his old ways and prejudices. That is not the best foundation on which to build an industry with sensitive and progressive ideas.

In my view, an MDS-type training scheme with its emphasis on agriculture rather than horticulture, could be of immense value to the industry. The question is, however, would conventional family farmers, whose turnover and profits are normally much smaller than those of intensive vegetable growers, be able or willing to fund it?

Indonesian mine shut after riot

By Kenneth Gooding

The Grasberg mine in Irian Jaya, Indonesia, one of the world's biggest copper and gold producers, was temporarily closed yesterday after civil disturbances broke out in Tembagapura, the nearby town of 10,000 people, mostly employed by the mine.

Mr James Moffett, chairman of Freeport-McMoRan Copper & Gold, which operates the mine, said last night before leaving his headquarters in New Orleans for Irian Jaya, that he had ordered the shutdown to avoid a relatively minor incident becoming more serious. He expected the mine to re-start in about 24 hours.

He said that an Indonesian employee had been accidently hit by a car driven by a contractor during a heavy rain storm. Although the employee was not badly hurt, rumours spread that he had been killed. Rocks were thrown and windows were broken in the disturbances that followed.

Employees were scheduled to be bussed to the mine but, to avoid confrontation, Mr Moffett ordered the mine to be shut and decided against calling on the police or military to provide protection.

Previous confrontations between local people and the military lead to accusations of civil rights abuses by the army and suggestions that Freeport personnel were also involved. Investigations by Indonesia's human rights commission and by the Australian, New Zealand and US embassies cleared the company of these allegations.

Grasberg, nearly 4,000 metres up in the mountains in some of the world's most inhospitable terrain, last year produced 459,700 tonnes of copper and 1.36m troy ounces of gold. It is 10 per cent-owned by RTZ-CRA, the Anglo-Australian mining group.

UN commodity fund to spend $12m on marketability

By Alison Maitland

The UN's Common Fund for Commodities plans to spend $12m on improving the marketability of commodities in order to increase incomes in developing countries.

Mr Rolf Boehnke, the new managing director of the fund, told members of the International Cocoa Council in London yesterday that the money would come from resources previously used to finance international buffer stocks.

Launched in 1989 by the United National Conference on Trade and Development, the fund has financed buffer stockholding, increased the competitiveness of commodities and tackled crop diseases.

Buffer stock agreements have now all but disappeared. Only the International Cocoa Organisation and the International Natural Rubber Organisation still operate internationally financed buffer stocks and cocoa stocking will soon end.

Mr Boehnke said the Amsterdam-based fund would direct more efforts towards improving the conditions of commodity producers in poor countries. It would speed up spending by shortening the time between a project's conception and its approval. It would also increase its loan financing, as opposed to grant financing, to extend its activities. "Particular attention will be given to projects which lead to sustainable development and the preservation of the earth's resources and environment," he said.

To date, the fund has approved 37 projects costing about $81m, of which it provided about $35m. The biggest were to improve bananas and tackle the cotton boll weevil.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1597.5-8.5	1627-8
Previous	1596-7	1625-6
High/low	1598.5	1637/1620
AM Official	1598-8.5	1627.5-8.0
Kerb close		1622-3
Open int.	213,905	
Total daily turnover	52,476	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1350-60	1390-5
Previous	1345-55	1385-8
High/low		1395/1393
AM Official	1350-60	1390-400
Kerb close		1390-95
Open int.	5,127	
Total daily turnover	891	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	785.5-7.5	776-7
Previous	787-8	776-7
High/low	789	787/774
AM Official	789-9.5	778-8.5
Kerb close		774-5
Open int.	40,053	
Total daily turnover	10,457	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	8050-60	8140-50
Previous	8045-55	8135-45
High/low	8095	8250/8060
AM Official	8095-7	8185-90
Kerb close		8050-60
Open int.	41,724	
Total daily turnover	12,950	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6080-90	6120-30
Previous	6070-80	6110-20
High/low	6080	6210/6060
AM Official	6075-85	6120-25
Kerb close		6060-70
Open int.	16,920	
Total daily turnover	5,493	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1086.5-7.5	1100.5-1.0
Previous	1080-1	1093.5-4.0
High/low	1087	1110/1094
AM Official	1087-7.5	1099-100
Kerb close		1093-8
Open int.	67,643	
Total daily turnover	30,268	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2598-601	2574-5
Previous	2606.5-8.5	2575-6
High/low	2605	2596/2564
AM Official	2602-3	2590-2
Kerb close		2585-7
Open int.	174,112	
Total daily turnover	97,284	

■ LME AM Official £/$ rate: 1.5233
LME Closing £/$ rate: 1.5240

Spot: 1.5343 3 mths: 1.5216 6 mths: 1.5192 9 mths: 1.5171

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	120.35	-0.55	120.70	119.90	1,491	4,170
Apr	119.50	-1.00	120.00	119.20	389	1,599
May	119.00	-0.90	120.00	118.75	7,573	19,449
Jun	117.10	-0.90	117.50	117.10	120	857
Jul	115.80	-0.85	116.50	115.60	657	4,610
Sep	113.50	-0.85	114.10	113.90	220	2,891
Total					11,245	41,599

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz)	$ price	£ equiv	SFr equiv
Close	396.00-396.40		
Opening	396.60-397.00		
Morning fix	396.60	260.407	476.515
Afternoon fix	395.75	259.593	474.702
Day's High	396.60-397.00		
Day's Low	395.20-395.60		
Previous close	395.30-395.70		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.31	6 months	3.80
2 months	4.11	12 months	3.72
3 months	3.96		

Silver Fix	p/troy oz.	US cts equiv.
Spot	360.25	548.75
3 months	365.45	555.60
6 months	370.20	561.95
1 year	379.55	574.35

Gold Coins	$ price	£ equiv.
Krugerrand	394-397	258-260
Maple Leaf	407.05-409.60	-
New Sovereign	93-96	61-63

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	395.7	-1.4	403.5	403.5	1	-
Apr	398.7	-1.5	399.1	396.2	55,883	88,213
Jun	399.6	-1.5	401.9	399.4	3,994	43,793
Aug	402.1	-1.5	403.3	401.7	102	12,614
Oct	404.6	-1.5	-	-	89	4,187
Dec	407.2	-1.5	408.0	407.0	884	14,668
Total					61,382	298,106

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	412.9	-0.8	414.3	412.0	3,165	13,820
Jul	415.7	-0.4	417.5	416.0	262	6,681
Oct	417.9	-0.3	419.5	418.5	122	1,794
Jan	419.9	-0.3	420.0	420.0	1	786
Total					3,549	23,891

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	143.35	+4.85	143.75	142.50	94	91
Jun	143.10	+4.35	144.00	141.00	1,119	6,347
Sep	144.10	+4.10	144.25	144.00	1	129
Dec	145.35	+4.10	145.50	145.50	6	78
Total					1,213	6,645

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	548.2	+0.3	551.0	546.5	63	356
May	552.5	+0.3	554.5	548.5	25,200	51,214
Jul	557.5	+0.5	560.0	554.0	686	13,131
Sep	562.4	+0.6	562.5	558.0	302	10,852
Dec	569.7	+0.7	570.0	567.0	139	7,407
Mar	577.0	+0.7	-	-	3	2,654
Total					26,395	88,732

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Apr	19.82	+0.21	19.89	19.21	34,401	79,106
May	19.03	+0.16	19.10	18.62	23,708	77,014
Jun	18.41	+0.15	18.48	18.10	11,955	45,931
Jul	18.07	+0.15	18.09	17.88	2,433	38,028
Aug	17.81	+0.13	17.85	17.63	2,138	20,970
Sep	17.60	+0.10	17.65	17.55	1,358	16,030
Total					79,018	420,399

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Apr	18.33	+0.14	18.39	18.03	12,053	45,280
May	17.43	+0.13	17.50	17.15	10,251	57,411
Jun	16.91	+0.17	16.97	16.68	3,071	28,602
Jul	16.59	+0.19	16.64	16.38	961	36,085
Aug	16.47	+0.24	16.47	16.34	292	10,132
Sep	-	-	-	-	-	11,867
Total					25,174	213,703

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Apr	54.55	+1.11	54.95	53.10	10,808	25,362
May	50.70	+0.60	50.90	49.80	4,367	15,306
Jun	49.20	+0.55	49.25	48.50	432	11,708
Jul	48.70	+0.40	48.70	48.25	861	8,103
Aug	49.05	+0.40	49.05	48.95	4	5,534
Sep	49.35	-	-	-	134	2,742
Total					16,987	86,498

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	190.50	+5.50	190.50	183.75	9,231	15,271
Apr	184.25	+2.75	184.50	180.00	9,710	19,289
May	156.00	+1.25	156.75	153.25	2,188	8,212
Jun	153.00	+1.75	153.25	150.25	984	8,656
Jul	151.25	+1.25	151.25	150.75	117	5,027
Aug	151.50	+1.50	151.50	150.50	48	3,783
Total					22,545	99,513

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Apr	2.185	+0.070	2.200	2.080	9,957	23,876
May	2.095	+0.042	2.100	2.040	4,070	19,389
Jun	1.995	+0.022	2.005	1.965	1,259	14,963
Jul	1.950	+0.020	1.960	1.920	576	12,708
Aug	1.930	+0.023	1.935	1.910	412	11,888
Sep	1.905	+0.013	1.910	1.895	268	8,960
Total					18,176	139,761

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Apr	59.20	+0.45	59.40	58.40	10,061	28,902
May	58.80	+0.40	59.00	58.05	4,087	19,063
Jun	58.00	+0.55	58.00	57.30	1,534	8,966
Jul	56.70	+0.55	56.85	56.70	266	6,202
Aug	55.15	-	55.15	55.15	649	3,459
Sep	53.70	+0.40	-	-	177	697
Total					16,783	67,986

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	115.60	+0.45	115.75	115.30	43	146
May	117.80	+0.35	118.00	117.45	128	3,383
Jul	120.00	+0.45	120.00	119.40	17	681
Sep	109.25	+0.10	-	-	-	215
Nov	110.40	-	110.40	110.40	15	1,451
Jan	111.75	-0.25	-	-	-	379
Total					203	6,301

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	516.25	-0.25	518.00	514.00	1,493	5,904
May	491.50	-2.25	493.75	488.50	5,862	28,897
Jul	458.50	-1.00	460.50	454.00	9,080	48,528
Sep	461.75	-1.50	464.00	459.00	584	8,506
Dec	473.00	-	475.00	470.00	604	6,534
Mar	474.50	-	476.00	473.00	26	302
Total					17,681	98,860

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	393.75	+1.75	394.00	388.00	3,377	12,685
May	389.50	+1.00	390.00	385.00	34,545	202,472
Jul	381.75	+1.25	382.25	378.00	11,856	122,246
Sep	332.25	+2.00	332.50	329.50	1,968	35,497
Dec	319.25	+1.75	319.50	316.50	9,030	88,114
Mar	324.50	+1.75	324.75	322.00	344	7,569
Total					61,138	472,605

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	108.20	+0.70	108.00	108.00	5	289
May	108.15	+0.25	108.00	108.00	2	475
Sep	105.30	-0.20	105.50	105.50	5	39
Nov	107.40	-	107.40	107.40	15	509
Jan	109.25	-	-	-	-	93
Total					27	1,428

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	718.75	+6.50	719.00	706.50	4,643	2,888
May	728.50	+8.00	729.00	717.00	33,545	71,603
Jul	736.50	+5.50	737.00	725.50	11,030	49,747
Aug	737.00	+4.50	738.75	728.00	870	6,392
Sep	727.50	+1.25	728.00	722.00	928	3,731
Nov	726.25	+0.25	726.50	720.50	10,444	54,013
Total					61,777	193,774

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	23.69	+0.05	23.65	23.48	4,413	3,132
May	24.00	+0.07	24.01	23.78	7,567	37,238
Jul	24.38	+0.07	24.38	24.12	3,892	26,511
Aug	24.55	+0.06	24.52	24.37	123	7,675
Sep	24.74	+0.08	24.72	24.56	284	4,335
Oct	24.87	+0.03	24.90	24.75	314	2,707
Total					17,565	90,254

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	229.2	+1.8	229.0	225.5	3,218	2,835
May	232.9	+2.0	233.0	229.0	14,861	37,812
Jul	235.7	+1.6	235.8	232.5	4,708	24,460
Aug	236.0	+1.6	236.0	232.7	557	5,012
Sep	235.0	+1.0	235.1	232.8	339	3,418
Oct	232.6	+0.2	233.0	230.5	384	3,052
Total					26,053	85,761

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	171.3	-7.2	172.1	167.5	102	818
May	176.0	-4.5	-	-	-	31
Jun	225.0	-	-	-	-	-
Nov	105.0	-	-	-	-	-
Mar	130.0	-	-	-	-	-
Total					102	926

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	1445	+7	1445	1435	53	831
Apr	1471	+14	1475	1465	22	1,318
May	1440	+20	1450	1435	19	332
Jul	1333	+18	1333	1320	48	1,799
Oct	1371	+21	1370	1360	15	626
Jan	1395	+3	-	-	-	52
Total					157	4,990

	Close	Prev
BFI	1354	1359

FUTURES DATA
All futures data supplied by CMS.

Tea
The Tea Broker's Association reports, good general demand. Landed: best and good liquoring East Africans sold well and often appreciated, particularly Pekoe Dusts. Coloury mediums advanced 1 to 3 pence while others were about steady. Plainer descriptions tended easier. Offshore: good competition at firm to dearer rates. Quotations: best available 145 - 174p/kg., good 130 - 145p/kg., good medium 115 - 125p/kg., medium 92 - 102p/kg., low medium 73 - 83p/kg. Highest price realised this week was 174p for a Tora pd.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	893	+3	894	890	9	114
May	911	+2	915	907	1,999	26,918
Jul	932	+1	938	931	343	16,840
Sep	953	+2	956	949	389	38,812
Dec	965	-	970	965	1,115	18,584
Mar	983	-2	986	982	683	39,720
Total					4,788	152,795

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	1225	-9	-	-	7	149
May	1240	-9	1260	1239	3,077	38,972
Jul	1264	-11	1283	1264	725	21,034
Sep	1286	-9	1305	1286	84	11,963
Dec	1322	-8	1340	1322	88	13,391
Mar	1349	-8	1366	1349	107	7,612
Total					3,974	99,096

■ COCOA (ICCO) (SDR's/tonne)

Mar 8	Price	Prev. day
Daily	918.70	916.26

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	2003	+18	2010	1969	164	3,026
May	1858	+29	1860	1821	1,332	12,873
Jul	1788	+29	1793	1755	315	4,517
Sep	1753	+26	1750	1721	108	3,036
Nov	1731	+21	1724	1708	20	1,407
Jan	1708	+12	-	-	-	304
Total					1,939	25,163

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	116.75	+1.95	117.60	116.30	97	864
May	113.00	+0.95	114.75	112.30	4,694	15,662
Jul	111.50	+0.80	113.35	111.25	817	4,830
Sep	110.35	+0.60	111.50	110.00	286	3,287
Dec	109.70	+1.60	110.50	109.00	190	1,515
Mar	109.50	+1.00	-	-	5	413
Total					6,090	26,680

■ COFFEE (ICO) (US cents/pound)

Mar 8	Price	Prev. day
Comp. daily	102.60	103.32
15 day average	106.12	106.80

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	11.90	-	-	-	-	-
Jul	11.90	-	-	-	-	-
Oct	11.90	-	-	-	-	-
Total					-	-

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	383.7	+6.7	384.0	377.0	1,223	13,765
Aug	362.3	+4.0	363.0	358.4	669	7,404
Oct	327.2	+3.9	326.5	323.5	92	4,853
Dec	318.7	+3.6	316.5	315.4	17	2,569
Mar	310.9	+2.1	-	-	-	730
May	308.2	+1.6	308.5	307.9	25	569
Total					2,026	29,899

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	12.16	+0.46	12.20	11.75	9,600	62,686
Jul	11.00	+0.23	11.03	10.79	2,783	38,430
Oct	10.58	+0.14	10.59	10.44	1,454	27,319
Mar	10.28	+0.11	10.28	10.17	246	14,728
May	10.19	+0.09	10.20	10.10	103	3,794
Jul	10.03	+0.09	9.98	9.98	32	1,428
Total					14,234	148,778

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	83.33	-0.38	84.00	83.27	2,599	20,884
Jul	84.36	-0.32	84.90	84.27	1,145	11,315
Oct	81.75	-0.15	82.00	81.50	196	2,450
Dec	80.00	-0.12	80.25	79.81	1,119	16,968
Mar	80.80	-0.07	80.87	80.70	95	1,685
May	81.25	-0.05	81.20	81.00	3	720
Total					5,158	58,025

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	136.45	-1.30	137.00	133.00	8,536	16,178
Jul	134.50	+1.75	134.85	132.00	961	3,362
Sep	132.00	+1.00	132.20	130.25	234	2,013
Nov	128.25	+0.75	128.55	128.00	93	711
Jan	125.95	-0.80	126.50	125.50	74	2,472
Mar	128.50	+0.75	-	-	5	134
Total					10,157	25,034

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Mar 11	Mar 8	month ago	year ago
2129.2	2128.4	2151.3	2343.8

■ CRB Futures (Base: 1967=100)

Mar 8	Mar 7	month ago	year ago
245.37	244.43	248.02	234.09

■ GSCI Spot (Base: 1970=100)

Mar 8	Mar 7	month ago	year ago
193.68	194.74	192.17	175.46

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Apr	61.625	-0.825	62.550	61.500	8,448	30,874
Jun	62.850	+0.025	63.075	62.550	5,141	26,018
Aug	62.275	-0.025	62.475	62.150	1,734	13,529
Oct	63.425	-0.075	63.500	63.250	785	10,282
Dec	62.475	-0.125	62.500	62.275	809	5,974
Feb	62.325	-0.125	62.500	62.300	178	2,908
Total					17,106	89,744

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Apr	49.275	+0.375	49.500	48.600	2,894	11,843
Jun	53.350	-0.025	53.650	52.800	2,398	12,860
Jul	50.850	-0.400	51.225	50.650	493	3,159
Aug	48.600	-0.450	48.950	48.550	442	4,111
Oct	45.025	-0.225	45.350	45.000	312	2,803
Dec	46.200	-0.225	46.400	46.200	129	1,576
Total					6,703	37,126

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Mar	70.975	+1.025	71.000	69.350	422	1,107
May	70.300	+0.750	70.700	68.950	2,089	6,867
Jul	66.550	+0.775	66.700	65.300	698	2,220
Aug	62.525	+0.850	63.300	61.500	185	589
Feb	64.000	+0.100	64.300	64.300	5	38
Mar	63.050	+0.050	64.000	63.000	1	6
Total					3,399	10,837

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Jun	Sep	Jun	Sep
1500	129	160	11	21
1600	61	95	41	52
1700	22	50	100	104
■ COPPER (Grade A) LME	Jun	Sep	Jun	Sep
2400	-	137	-	62
2500	105	86	43	108
2600	54	50	91	169
■ COFFEE LCE	May	Jul	May	Jul
1850	94	119	86	181
1900	73	102	115	214
1950	56	88	148	250
■ COCOA LCE	May	Jul	May	Jul
875	43	75	7	18
900	27	59	16	27
925	15	45	29	38
■ BRENT CRUDE IPE	Apr	May	Apr	May
1700	-	50	-	53
1750	-	37	2	-
1800	32	15	5	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$16.51-6.61w	+0.195
Brent Blend (dated)	$19.01-9.03	+0.015
Brent Blend (Apr)	$18.31-8.33	+0.155
W.T.I.	$19.78-9.81w	+0.14

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$186-187	
Gas Oil	$182-184	+5
Heavy Fuel Oil	$103-104	-1.5
Naphtha	$172-174	+2.5
Jet fuel	$206-208	+4.5
Diesel	$182-184	+5.0

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

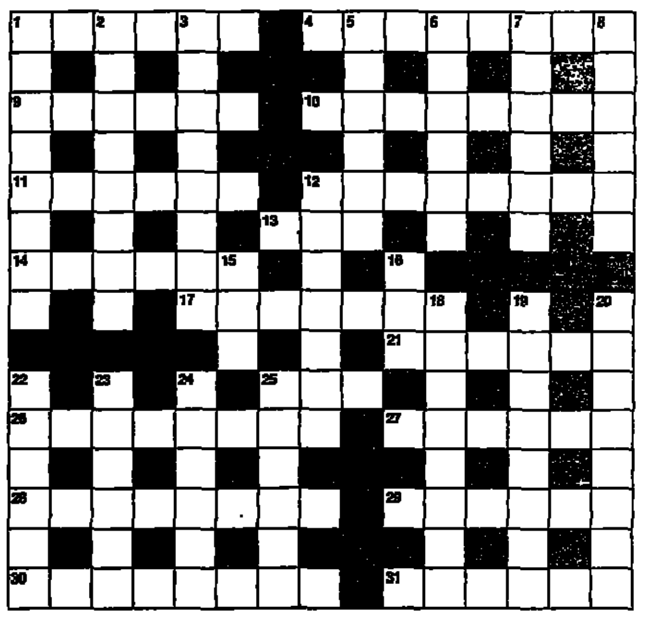
Gold (per troy oz)♣	$396.20	+0.70
Silver (per troy oz)♣	548.75c	+4.25
Platinum (per troy oz.)	$411.50	
Palladium (per troy oz.)	$140.50	+3.75
Copper	122.0c	
Lead (US prod.)	41.75c	
Tin (Kuala Lumpur)	15.52m	+0.18
Tin (New York)	285.50c	-4.0
Cattle (live weight)†	116.84	-1.62*
Sheep (live weight)†♠	136.65	+4.10*
Pigs (live weight)†	105.19	+4.97*
Lon. day sugar (raw)	$312.9	+0.2
Lon. day sugar (wte)	$393.0	+1.0
Barley (Eng. feed)	113.5	
Maize (US No3 Yellow)	146.5z	
Wheat (US Dark North)	Unq.	
Rubber (Apr)♥	107.25p	
Rubber (May)♥	107.25p	
Rubber (KL RSS No1)	404.00m	+3.0
Coconut Oil (Phil)§	$722.5v	-5.0
Palm Oil (Malay.)§	$512.5u	-2.5
Copra (Phil)§	462.0v	-3.0
Soyabeans (US)	207.0u	-1.0
Cotton Outlook'A' Index	83.10	
Wooltops (64s Super)	440p	+2.0

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. u Mar.w Apr. v Apr/May ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week †Prices are for previous week.

JOTTER PAD

CROSSWORD

No.9,016 Set by QUARK



ACROSS

1, 4 Dated at back of newspaper? (6,3,5)
9 Old man cultivated nut-tree (6)
10 Port Opec want reviewed (4,4)
11 City district involved in timely expedient (6)
12 A drink knocked back – wine, not the first used medicinally (8)
13 Smart dash (3)
14 Picking out the star players, we hear, and giving up (6)
17 His post is different; he's reasoning fallaciously (7)
21 Jumper perhaps wrapped round a husky (6)
25 Big bird in the municipality (3)
26 Try a ruse in order to get funds (8)
27 Writer about a male or female bird (3-3)
28 Piano lot under the hammer? It's not compulsory (8)
29 Solicit advertising mainly for a painting (6)
30, 31 Hear grounds for belief and be persuaded peacably (6,2,6)

DOWN

1 Fur – a sign of what has been a challenging row? (4,4)
2 One detective group in institution for crime (8)
3 They get hard knocks in the game (8)
5 Robust sailor? (6)
6 Treasurer, in short, with capital overturned in shaky movement (6)
7 I pay MO for treatment (eye defect) (6)
8 Some lines on Netherlands in verse form (6)
12 Miraculous transformation of hem in unusually lacy edging (7)
15 Obtained rubbish? Not right (3)
16 Tree has collapsed (3)
18 Accept to the French class (8)
19 Artist coming up with Herb's records (8)
20 Sounds like game performing poet (8)
22 Way to stagger in a casual walk (6)
23 Low moral state? That's the most severe part (6)
24 Shuffle 21 on land (6)
25 Knight going off the straight and narrow? (6)

Solution to Saturday's prize puzzle on Saturday March 23.
Solution to yesterday's prize puzzle on Monday March 25.

INTERNATIONAL CAPITAL MARKETS

Prices off lows in late trading

By Samer Iskandar in London and Lisa Bransten in New York

International government bond markets resumed their slide early yesterday, extending Friday's losses, but were better supported in the afternoon as investors were attracted by higher yields.

Most European markets ended slightly down, but off their lows, while US Treasuries recouped some of last week's losses. Analysts were divided as to the future direction of the market. Some observers now believe the yield on the 30-year US Treasury bond could climb again soon, to reach 7 per cent or more.

Mr Michael Burke, a senior economist at Citibank in London, is particularly bearish and perceives "pessimism over US short-term rates", which could spill into other markets, because "for the last three years European government bonds have been unable to decouple from the US market".

Mr Burke fears that this year "could be a re-run of 1994", which saw bond yields rise substantially in most markets.

Others believe that traders over-reacted to last week's stronger than expected employment data in the US, although most analysts agree that a cut in interest rates by the Federal Open Market Committee is highly unlikely in coming weeks, or even months.

Mr Mark Fox, a strategist at Lehman Brothers, believes "the sell-off in the long end was overdone", and expects institutional investors to buy long-dated paper, especially in the French OAT and German bund markets, where yields are believed to have reached attractive levels.

■ After starting the morning by resuming Friday's fall, US Treasury prices had regained their footing by early afternoon and moved modestly higher as bargain hunters interested in the newly higher yields moved in to the market.

In morning trading, the benchmark 30-year Treasury had added a drop of nearly ⅝ point to Friday's three-point sell-off, sending the yield close to 6.8 per cent.

Treasuries, which had begun to rise at mid-morning, dipped briefly after the Commerce Department said new home sales had risen by 4.1 per cent in January, slightly more than the market had anticipated. But soon afterward, the market resumed its upward course.

By noon, however, prices had reversed course as bargain hunters returned to the market and the long bond was ⅛ stronger at 92½ to yield 6.692 per cent.

GOVERNMENT BONDS

At the short end, the two-year note was up ⅛ at 96⅞, yielding 5.720 per cent.

Several analysts said that bonds overshot their fair value on the negative side on Friday and therefore there was value to be picked up in the wake of the sell-off.

Mr Les Nanberg, chief fixed income officer at Massachusetts Financial Services, a mutual fund company, said he saw the long bond as relatively cheap with yields between 6% per cent and 7 per cent.

The market's focus is now on the February consumer and producer price information, due on Thursday and Friday, respectively.

Despite last Friday's strong employment figures, there was little evidence of a reappearance of inflationary pressures in that data and the market will be watching to see if such pressures remain subdued.

■ UK gilts were extremely volatile, but trading volume was relatively thin. The June long gilt future settled at 104⅜, down ⅛ but more than a full percentage point higher than its intra-day low of 103½.

Mr Andrew Roberts, a bond strategist at UBS Limited, believes the recent correction was unfounded, especially on short-term yields.

On Liffe, the June short sterling contract closed at 93.87, giving an implied three-month rate of 6.13 per cent. The December maturity closed at 93.36, after trading as low as 93.13, reflecting expectations that three-month rates would rise to 6.87 per cent in the next nine months.

"There is no reason for the market to expect short-term rates to rise by 75 basis points before the end of the year, when manufacturing seems to be in a near-recessionary state", Mr Roberts said.

Economic data released yesterday showed industrial output fell 0.5 per cent in January, compared with market expectations of no change. Input prices were down 0.3 per cent in February, which is a sign that inflationary pressures remain subdued.

The UK yield curve has moved substantially since Friday. The spread between five and 10-year gilts has narrowed by 15 basis points, while the differential between 10-year and two-year yields flattened by 20 basis points to 120 points – a move which is unjustified, according to Mr Roberts, but offers "a lot of value in the short end of the curve".

■ French bonds added to last Friday's losses, closing lower but well above their intra-day lows. The March 10-year future closed at 120.80, down 0.08, but up from its opening level of 120.12. The March 3-month Pibor future closed at 95.53, down 0.08.

In the cash market, 10-year OATs were better bid and ended the day higher, yielding 6.65 per cent, while the spread over 10-year bunds narrowed to 13 basis points.

■ German bunds were also very volatile, losing almost one percentage point in early trading, but recovered later to close slightly higher. The June bund contract listed on Liffe settled at 95.56, up 0.07, and the June three-month euromark future closed at 96.73.

Mr Fox, at Lehman Brothers, said traders were initiating flattening trades – transactions aiming to take advantage of a yield curve flattening by selling short dated paper and buying longer dated maturities.

■ The trend in European high-yielding markets was similar to that of bigger continental bonds. Liffe's June futures contract on Italian BTPs settled at 108.44, down 0.23, recovering from a low of 107.55.

The March future on 10-year Spanish bonos closed at 93.60, down 0.26, in moderate trading. Without any significant political developments in Spain, bonos derived their inspiration from bunds and US Treasuries, while the peseta remained firm against the D-Mark.

Traders will now await the release of February inflation data and the results of a repo tender, both due on Wednesday, to assess the likelihood of an easing by the central bank of its key rate, currently at 8¾ per cent.

A monetary easing had been widely expected by market participants in the past few weeks, and analysts believe that it has been temporarily delayed due to political uncertainty following the election that took place on March 3, when the Popular Party won but did not have a sufficient majority to govern.

■ The DTB, the Deutsche Börse's screen-based futures market, has decided to raise margin requirements for trading in its bund and bobl futures, as well as options related to these contracts.

The margin on bobl futures and options was raised from 1.2 points (DM3,000 per contract) to 1.6 points (DM4,000). The margin on bund futures and options was raised from 1.4 points (DM3,500) to 2.0 points (DM5,000).

According to Deutsche Börse, this move was decided by the DTB in reaction to increased volatilities.

Risks of repos 'vary markedly' in Europe

By Conner Middelmann

Acceptance of securities sale and repurchase agreements – or repos – as financial instruments by fixed-income funds continues to grow in Europe, says Moody's Investors Service, the rating agency.

However, it notes that the risks of each type of repo can vary markedly, depending on factors such as collateral quality, operational procedures and custodial practices.

"As more European fund markets move toward the use of repurchase transactions, we believe that participants must develop sound legal repurchase documentation and high quality custody, trading and accounting systems," says Moody's.

Moody's describes the three most common repos used in Spain, France, Luxembourg, Italy, Austria and the UK.

The least risky is the "true" repo, which is documented under a single written agreement that spells out requirements such as collateral margin levels, permissible securities, and substitution and netting rights.

Slightly riskier is the "buy-and-sell-back" transaction, which involves the outright purchase of a security from a counterparty in the spot market and its separate yet simultaneous sale back to the counterparty in the forward market. It generally obliges the seller to buy back the collateral but does not have special documentation other than trade confirmations.

Most risky is the so-called "réméré" transaction, which is similar to a sell and buy-back transaction except the seller has the option but not the obligation to buy back the collateral and may not do so for economic reasons, such as a fall in bond prices.

Shift in sentiment towards floating-rate offerings

By Conner Middelmann

The primary eurobond market was in a state of near paralysis yesterday as nervousness in underlying government bond markets, sparked by Friday's plunge in US Treasuries, kept participants sidelined.

Fixed-rate bonds have suffered particularly, with spreads on recently issued paper widening by about 2 to 3 basis points as investors offloaded spread product, dealers said.

Seeking shelter from volatility in the fixed-rate markets, many have retreated into cash while others have opted for floating-rate bonds, which tend to be less sensitive to interest-rate fluctuations.

"The environment is better for floaters than it has been in a while – a lot of investors are looking for capital protection," said one syndicate official.

Several issuers decided to capitalise on this shift in sentiment, and Portugal yesterday announced its long-awaited DM1.5bn eurobond, a five-year floating-rate issue to be launched today. The notes will be priced to yield one basis point below three-month Libor at the 99.815 re-offer price.

INTERNATIONAL BONDS

While the pricing was considered tight by some dealers, others said there is a dearth of floating-rate notes issued by European-Union sovereigns, justifying the pricing.

"The current market environment favours floaters, there hasn't been much supply lately and there are quite hefty redemptions coming up," said one dealer. FRNs for Sweden, Finland and Spain all trade at between 3 and 4 basis points below Libor, he said.

The Portugal issue will be jointly led by Commerzbank, Deutsche Morgan Grenfell and J.P. Morgan.

Another floating-rate offering is likely to be launched today for the Hellenic Republic, which is expected to issue $500m of seven-year notes yielding around 65 basis points over Libor at the re-offer price. CS First Boston and Salomon Brothers are likely to act as joint book-runners.

Cariplo, the Italian bank, was even quicker to tap into investor appetite for floating-rate notes by issuing $200m of five-year paper yesterday at a re-offer yield of 10.5 basis points over Libor and an all-in cost of 14.6 basis points.

While lead manager Lehman Brothers reported good sales, several other houses grumbled at the tight pricing. "Bidding for it last week was very competitive – a lot of underwriters balked at a deal inside 15 basis points over," said one trader.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Cariplo(a)§	200	(a1)	99.98R	Apr 2001	0.175R	-	Lehman Brothers
Cho Hung Bank‡	120	(b)	100.00	Apr 1999	undisc	-	BA Asia/LTCB Asia
DKB Asia‡	100	(c)	100.045	Mar 1997	0.075	-	SBW/Dai-Ichi Kangyo
SWISS FRANCS							
Swiss Bank Corp	150	4.00	101.50	Apr 2002	undisc	-	Swiss Bank Corp
YEN							
Korea Development Bank(d)‡	10bn	4.50	100.325	Mar 2006	0.325	-	Nikko Europe

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡Unlisted. § Floating-rate note. R: fixed re-offer price; fees shown at re-offer level. a) Callable at par from July '99. a1) 3-mth Libor +10bp. b) 6-mth Libor +30bp. c) 3-mth Libor flat. d) Payable in Australian dollars.

Webs country fund launched

By Maggie Urry in New York

Morgan Stanley and BZW Barclays Global Fund Advisors, yesterday launched their version of a single country index share, similar to the product announced by Deutsche Morgan Grenfell last week.

The World Equity Benchmark Shares, or Webs, will trade on the American Stock Exchange and will attempt to track the Morgan Stanley Capital International country indices for 17 countries.

Investors will be able to buy or sell short shares representing a stake in the index fund, enabling them to gain exposure to international markets more efficiently than they could through mutual funds, the most common way US investors invest abroad.

The shares will be priced in dollars, although their price will relate to the underlying value of the shares in the fund adjusted for exchange rate movements.

They will trade and settle on the the American Stock Exchange in the same way as other listed shares.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	02/06	105.9020	-2.680	9.08	8.37	8.17
Austria		6.125	02/06	98.2500	-0.520	6.36	6.46	6.20
Belgium		7.000	05/06	97.6800	-0.010	7.32	6.73	6.38
Canada *		8.750	12/05	106.2400	-0.570	7.82	7.37	6.89
Denmark		8.000	03/06	101.7400	-0.560	7.74	7.47	7.11
France	BTAN	7.000	10/00	104.8750	-0.130	5.75	5.52	5.37
	OAT	7.250	04/06	104.3000	-0.800	6.65	6.35	6.38
Germany Bund		6.000	02/06	96.2800	-0.090	6.52	6.28	5.99
Ireland		8.000	08/06	99.3200	-0.530	8.08	7.73	7.54
Italy		9.500	02/06	93.6800	-0.720	10.51†	10.21	9.65
Japan	No 129	6.400	03/00	117.1800	+0.340	1.80	1.97	1.81
	No 182	3.000	09/05	98.5400	-0.250	3.20	3.22	2.99
Netherlands		6.000	01/06	96.3000	+0.020	6.52	6.27	5.91
Portugal		11.875	02/05	111.7500	-0.750	9.85	9.62	9.40
Spain		10.150	01/06	100.3100	-0.330	10.07	9.91	9.54
Sweden		6.000	02/05	81.2500	+0.060	9.17	8.84	8.33
UK Gilts		8.000	12/00	101-30	-16/32	7.50	6.99	6.82
		8.500	12/05	95-19	-1/32	8.12	7.77	7.49
		9.000	10/08	105-28	-1/32	8.24	7.91	7.65
US Treasury *		5.625	02/06	94-15	-9/32	6.39	5.98	5.59
		6.000	02/26	91-01	-15/32	6.70	6.37	6.03
ECU (French Govt)		7.500	04/05	101.7900	-0.200	7.22	7.02	6.80

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest			Treasury Bills and Bond Yields			
Prime rate	8¼		One month	5.12	Two year	5.77
Broker loan rate	7		Three month	5.03	Three year	5.94
Fed funds	5¼		Six month	5.06	Five year	6.12
Fed funds at intervention			One year	5.43	10-year	6.43
					30-year	6.73

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	120.12	120.80	-0.08	120.84	120.04	183,832	108,724
Jun	120.00	120.72	-0.04	120.78	119.94	39,802	64,286
Sep	118.78	119.52	-0.04	118.96	118.78	325	2,524

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Apr	May	Jun	PUTS Apr	May	Jun
119	1.94	-	-	0.21	0.56	0.85
120	1.15	-	1.50	0.48	0.80	1.16
121	0.53	-	1.26	0.82	1.26	-
122	0.20	0.51	0.84	1.50	1.84	-
123	0.05	0.24	0.48	-	-	-

Est. vol. total, Calls 20,568 Puts 30,972 . Previous day's open int., Calls 151,462 Puts 132,307

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	94.72	95.54	+0.05	95.81	94.70	239253	225999
Sep	94.20	94.71	+0.06	94.50	94.00	86	3316

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Apr	May	Jun	Sep	PUTS Apr	May	Jun	Sep
9550	0.58	1.02	1.24	1.26	0.54	0.98	1.20	2.05
9600	0.33	0.77	0.99	1.05	0.79	1.23	1.45	2.34
9650	0.16	0.56	0.77	0.87	1.12	1.52	1.73	2.66

Est. vol. total, Calls 32226 Puts 33080. Previous day's open int., Calls 366821 Puts 181179

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	108.45	108.44	-0.23	108.62	107.55	56325	51520
Sep		107.84	-0.23			0	0

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Jun	Sep	PUTS Jun	Sep
10800	2.25	2.80	1.81	2.88
10850	1.98	2.50	2.04	3.12
10900	1.72	2.34	2.28	3.40

Est. vol. total, Calls 2299 Puts 1771. Previous day's open int., Calls 53308 Puts 44077

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	93.50	93.60	-0.27	93.65	93.04	70,322	35,987
Jun	93.07	93.26	-0.26	93.31	92.71	5,891	20,203

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	105-07	105-20	-0-06	105-07	104-17	3701	29099
Jun	104-10	104-24	-0-03	104-27	103-22	87756	117359

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Apr	May	Jun	Sep	PUTS Apr	May	Jun	Sep
104	1-12	1-51	2-10	2-15	0-28	1-03	1-26	2-37
105	0-39	1-16	1-39	1-52	0-55	1-32	1-55	3-10
106	0-17	0-52	1-10	1-28	1-33	2-04	2-26	3-50

Est. vol. total, Calls 5583 Puts 6493. Previous day's open int., Calls 41833 Puts 29074

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	88.88	88.86	-0.48	88.96	88.48	5,395	6,976
Jun	88.46	88.46	-0.46	88.46	88.14	1,068	4,263

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	111-08	111-11	-0-05	111-26	110-20	28,832	86,495
Jun	111-05	110-27	-0-24	111-12	110-03	424,742	287,038
Sep	110-12	110-12	-0-21	110-24	109-22	4,293	14,326

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol.	Open int.
Jun	118.90			118.97	118.77	1803	0
Sep						0	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Mon Mar 11	Day's change %	Fri Mar 8	Accrued interest	xd adj. ytd		Low coupon yield Mar 11	Mar 8	Yr. ago	Medium coupon yield Mar 11	Mar 8	Yr. ago	High coupon yield Mar 11	Mar 8	Yr. ago
1 Up to 5 years (23)	121.58	-0.35	122.01	2.36	1.58	5 yrs	7.59	7.47	8.67	7.83	7.50	8.66	7.72	7.60	8.86
2 5-15 years (20)	145.10	-0.44	145.74	2.99	1.35	15 yrs	8.21	8.26	8.57	8.38	8.29	8.60	8.42	8.33	8.59
3 Over 15 years (6)	158.20	-0.09	158.28	2.43	2.52	20 yrs	8.29	8.34	8.53	8.36	8.36	8.53	8.46	8.44	8.61
4 Irredeemables (6)	181.19	-1.58	184.10	4.09	0.00	Irred.†	8.45	8.31	8.59						
5 All stocks (56)	140.61	-0.34	141.10	2.70	1.83										

Index-linked	Mon Mar 11	Day's change %	Fri Mar 8	Accrued interest	xd adj. ytd		Inflation 5% Mar 11	Mar 8	Yr. ago	Inflation 10% Mar 11	Mar 8	Yr. ago
6 Up to 5 years (1)	196.82	+0.01	196.79	3.32	0.00	Up to 5 yrs	2.86	2.87	3.77	1.84	1.85	2.47
7 Over 5 years (11)	183.53	+0.01	183.51	1.23	0.63	Over 5 yrs	3.80	3.80	3.95	3.61	3.61	3.76
8 All stocks (12)	183.70	+0.01	183.69	1.27	0.62							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Mar 11	Mar 8	Mar 7	Mar 6	Mar 5	Yr ago	High*	Low*
Govt. Secs. (UK)	92.19	92.64	93.39	93.74	93.86	90.89	96.34	90.22
Fixed Interest	111.56	111.71	111.92	112.13	112.15	109.34	115.23	108.77

*for 1995/96. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94) , low 50.53 (3/1/75) . Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Mar 8	Mar 7	Mar 6	Mar 5	Mar 4
Gilt Edged bargains	170.6	94.9	136.3	130.8	108.1
5-day average	127.8	108.0	110.0	104.5	97.0

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on March 11

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	98⅜	98⅝	-⅝	6.79
ABN Amro Bank 7¼ 05	1000	101¾	102	-⅞	7.11
African Dev Bk 7⅜ 23	500	98⅛	98½	-1⅛	7.54
Alberta Province 7⅜ 98	1000	103½	103¾	-½	6.13
Asian Dev Bank 6¼ 05	750	96¾	96⅞	-⅛	6.83
Austria 8½ 00	400	107⅜	107⅝	-½	6.29
Baden-Wuert L-Fin 8⅛ 00	1000	105	105¼	-½	6.32
Bank Ned Gemeenten 7 99	1000	102⅜	102⅝	-¼	6.20
Bayer Vereinsbk 8⅛ 00	500	105¾	106	-½	6.40
Belgium 5½ 03	1000	92⅝	92⅞	-1⅛	6.76
British Columbia 7¼ 02	500	105½	105⅞	-⅝	6.64
British Gas 0 21	1500	13⅜	14	-⅛	8.09
Canada 6⅜ 05	1500	97¼	97⅜	-¼	6.69
Canada 6½ 97	2000	100¾	100⅞		5.86
Cheung Kong Fin 5½ 98	500	95¾	96¼	-⅛	7.37
China 6½ 04	1000	94⅛	94⅝	-⅞	7.63
Credit Foncier 9½ 99	300	108½	108¾	-⅛	6.25
Denmark 5¾ 98	1000	99¾	100	-½	5.89
East Japan Railway 6⅝ 04	600	98⅜	98⅝	-¼	6.90
EIB 6 04	500	95⅞	96¼	-1⅛	6.66
EIB 9¼ 97	1000	105⅛	105⅜	-¼	5.91
Elec de France 9 98	200	105½	105¾	-⅛	6.01
Ex-Im Bank Japan 8 02	500	106¾	107	-½	6.63
Export Dev Corp 9½ 98	160	107	107⅜	-¼	6.18
Exxon Capital 0 04	1800	58	56½	-¼	6.91
Fed Home Loan 7⅛ 99	1500	103⅛	103¼	-⅛	6.17
Federal Natl Mort 7.40 04	1500	104½	104⅝	-⅞	6.79
Finland 6¾ 97	3000	101½	101⅝	-¼	5.89
Ford Motor Credit 6¼ 98	1500	100⅜	100½	-¼	6.13
General Mills 0 13	1000	23⅝	24⅛	-⅝	8.63
Ind Bk Japan Fin 7⅞ 97	300	101⅞	102⅛		6.04
INI Finance 5¾ 98	650	97⅝	97⅞	-⅛	6.21
Inter-Amer Dev 7½ 05	500	104¼	104⅜	-¼	6.85
Intl Finance 5¼ 99	500	98¼	98½	-¼	5.94
Italy 6 03	2000	95⅛	95⅜	-¼	6.85
Italy 6⅞ 23	3500	88⅛	88½	-1⅛	8.00
Japan Dev Bk 6⅜ 01	500	108	108¼	-⅛	6.42
Korea Elec Power 6⅜ 03	1350	95⅞	96¼	-¼	7.20
Matsushita Elec 7¼ 02	1000	103⅛	103⅜	-¼	6.75
Norway 7¼ 97	1000	101⅜	101⅝	-⅛	5.90
Ontario 7⅜ 03	3000	103¾	104	-⅝	6.80
Oster Kontrollbank 8½ 01	200	108½	108⅞	-½	6.45
Portugal 5¾ 03	1000	94½	94¾	-¼	6.80
Quebec Hydro 9¾ 98	150	107⅜	107¾	-⅛	6.49
Quebec Prov 9 98	200	105	105⅜	-¼	6.34
SAS 10 99	200	109¼	109½	-¼	6.46
SNCF 9½ 98	150	107⅛	107⅜	-¼	6.13
Spain 6½ 99	1500	100⅝	100⅞	-¼	6.24
Sweden 6½ 03	2000	99¼	99½	-⅞	6.75
Tennessee Valley 6 00	1000	99	99⅛	-½	6.35
Tennessee Valley 6⅜ 05	2000	97¼	97⅞	-⅝	6.82
Tokyo Elec Power 6⅛ 03	1000	96⅜	96½	-1¼	6.76
Toyota Motor 5⅝ 98	1500	99⅝	99⅞	-½	5.83
United Kingdom 7¼ 02	3000	103¾	103⅞	-¼	6.54
World Bank 6⅜ 05	1500	97⅞	98	-¼	6.79
World Bank 8⅜ 99	1500	107¼	107⅜	-⅝	6.17
DEUTSCHE MARK STRAIGHTS					
Austria 6½ 24	2000	89⅝	89¾	+⅝	7.39
Baden-Wuert L-Finance 6 99	2000	103¾	103⅞	+⅛	4.69
Credit Foncier 7¼ 03	2000	97	98	-⅛	7.82
Denmark 6⅛ 98	2000	103¾	104	-⅛	4.21
Depfa Finance 6⅜ 03	1500	99	99⅛	-¼	6.54
Deutsche Bk Fin 7½ 03	2000	104⅝	104¾	-½	6.64
EEC 6½ 00	2900	104⅜	104½	+⅛	5.28
EIB 6¼ 00	1500	103⅜	103½	+¼	5.30
Finland 7½ 00	3000	107¼	107½	-⅜	5.57
Italy 7¼ 98	5000	105⅜	105½	-⅛	4.28
LKB Baden-Wuert 6½ 08	2250	98⅜	98⅝	+⅝	6.94
Norway 6⅛ 98	1500	103¾	103⅞		4.25
Ontario 6¼ 04	1500	98⅛	98¼	+½	6.58
Spain 7¼ 03	4000	104⅜	104¾	-⅛	6.36
Sweden 8 97	2500	106⅜	106½		3.91
United Kingdom 7⅛ 97	5500	105	105⅛	-⅛	3.88
Volkswagen Intl Fin 7 03	1000	101⅞	102⅛	-¼	6.66
World Bank 0 15	2000	29⅜	29⅝	+⅝	6.39
World Bank 5⅞ 03	3000	97⅞	98	-⅞	6.23
SWISS FRANC STRAIGHTS					
Asian Dev Bank 0 16	500	34¾	35⅜	-⅛	5.45
Austria 4½ 00	1000	104¾	105	-⅛	3.19
Council Europe 4¾ 98	250	103¾	104	-½	2.99
Denmark 4¼ 99	1000	104	104⅛	-⅛	3.04
EIB 3¾ 99	1000	102⅞	103⅛	-⅛	2.70
EIB 6¾ 04	300	112½	113½	-½	4.92
Finland 7¼ 99	300	112¾	112¾	-¼	3.53
Iceland 7⅜ 00	100	114⅜	115	-¼	3.98
Inter Amer Dev 4¾ 03	600	103¾	103¾	-½	4.23
Ontario 6¼ 03	400	109¾	110¼	-1	4.65
Quebec Hydro 5 08	100	100	101		5.00
SNCF 7 04	450	116	117	-¼	4.69
Sweden 4¾ 03	500	102¾	103	-¼	4.30
World Bank 0 21	700	25½	26	-⅛	5.46
World Bank 7 01	600	114½	114¾	-¼	3.76
YEN STRAIGHTS					
Belgium 5 99	75000	110¾	111	+⅛	2.01
Credit Foncier 4¾ 02	75000	102½	102¾	+⅛	4.29
EIB 6⅝ 00	100000	117⅜	117⅝	+¼	2.07
Ex-Im Bank Japan 4⅜ 03	105000	108½	108¾	+⅛	3.09
Inter Amer Dev 7¼ 00	30000	120⅛	120⅜	-⅛	2.16
Italy 3½ 01	300000	103⅝	103¾	+¼	2.77
Italy 5 04	200000	111⅜	111⅝	+⅛	3.47
Japan Dev Bk 5 99	100000	110¾	111	+⅛	1.85
Japan Dev Bk 6½ 01	120000	120¼	120⅜	+⅛	2.52
SNCF 6¾ 00	30000	117⅝	117⅞	+⅛	2.08
Spain 5¾ 02	125000	116¼	116½	+¼	2.79
Sweden 4⅝ 98	150000	106¼	106⅜		1.27
World Bank 5¼ 02	250000	114⅜	114½	+⅛	2.67
OTHER STRAIGHTS					
Finland 8 04 LFr	5000	107	108		6.88
Genfinance Lux 9⅛ 99 LFr	1000	108½			6.02
IKB Deut Industbk 8½ 03 LFr	3000	107	108		7.16
ABN Amro 6⅝ 00 Fl	1000	104⅝	104⅞		6.33
Bank Ned Gemeenten 7 03 Fl	1500	104⅝	105		6.17
Bell Canada 10⅝ 99 C$	150	109¼	109¾	-½	7.37
British Columbia 7¾ 03 C$	1250	99¾	100	-¼	7.94
Canada Mtg & Hsg 8¾ 99 C$	1000	103⅝	103⅞	-⅝	7.18
EIB 10⅛ 98 C$	130	106⅜	107	-⅜	6.61
Elec de France 9¾ 99 C$	275	107½	107⅞	-⅝	7.22
KfW Int Fin 10 01 C$	400	109¼	109⅝	-¼	7.69
Nippon Tel Tel 10¼ 99 C$	200	109	109⅜	-½	7.29
Ontario 8 03 C$	1500	101	101¼	-½	7.96
Ontario Hydro 10⅞ 99 C$	500	110	110¼	-⅝	7.11
Oster Kontrollbank 10¼ 99 C$	150	108¾	109¼	-¼	7.21
Quebec Hydro 7 04 C$	1000	92½	92¾	-⅛	8.44
Quebec Prov 10½ 98 C$	200	108	108⅜	-½	7.13
Council Europe 9 01 Ecu	1100	109⅝	109⅞	-⅝	6.88
Credit Foncier 8⅜ 04 Ecu	1000	98	98⅛	-⅝	8.73
Denmark 8½ 02 Ecu	1000	108	108¼	-¼	6.85
EC 6 00 Ecu	1100	99¼	99⅝	-⅞	6.18
EIB 10 01 Ecu	1150	113⅞	114⅛	-½	6.57
Ferro del Stat 10¾ 98 Ecu	500	108	108¾	-⅛	5.38
Italy 10¾ 00 Ecu	1000	114½	114¾	-¼	6.59
United Kingdom 9⅛ 01 Ecu	2750	110¾	111	-¼	6.51
AIDC 10 99 A$	100	102¾	103⅛	-¼	8.96
Comm Bk Australia 13¾ 99 A$	100	113⅜	114⅛	-⅞	9.02
EIB 7¾ 99 A$	350	98⅞	99⅜	-1⅛	8.30
NSW Treasury Zero 0 20 A$	1000	10½	10⅞	+⅛	8.55
R & I Bank 7¾ 03 A$	125	92	92⅜	-1⅞	9.30
State Bk NSW 9 02 A$	300	99	99⅜	-1¾	9.19
Sth Aust Govt Fin 9 02 A$	150	98⅝	99⅛	-1⅜	9.27
Unilever Australia 12 98 A$	150	105¾	106⅛	-⅛	8.83
Western Aust Tres 7⅝ 98 A$	100	97⅞	98⅜	-⅝	8.71
STERLING AND OTHER STRAIGHTS					
Abbey Natl Treasury 8 03 £	1000	97⅞	98	-1⅛	8.41
Alliance Leics 11⅜ 97 £	100	105	105¼	-⅛	6.70
British Land 8⅞ 23 £	150	88¼	88⅝	-⅛	10.41
Denmark 6¾ 98 £	800	98⅞	99¼	-¼	7.24
EIB 8 03 £	1000	98¾	99	-⅞	8.22
GLAXO WELLCOME 8¾ 05 £	500	99⅞	100	-⅞	8.76
Hanson 10⅜ 97 £	500	104⅝	104¾	-¼	7.17
HSBC Holdings 11.69 02 £	153	114⅛	114½	-¼	8.69
Italy 10½ 14 £	400	108¾	109⅛	-⅝	9.47
Japan Dev Bk 7 00 £	200	97½	97⅞	-⅞	7.65
Land Secs 9½ 07 £	200	102	102⅜		9.20
Ontario 11⅛ 01 £	100	111¾	112	-¼	8.13
Powergen 8⅞ 03 £	250	101⅜	101⅝	-¼	8.60
Severn Trent 11½ 99 £	150	110⅜	110⅝	-½	7.81
Tokyo Elec Power 11 01 £	150	111⅞	112¼	-¼	8.11
TCNZ Fin 9¼ 02 NZ$	75	102⅝	103⅝	-1⅝	8.67
World Bank 12½ 97 NZ$	250	104¾	105¼	-¼	8.92
Credit Local 6 01 FFr	7000	99⅛	99¼	-½	6.18
Elec de France 8¾ 22 FFr	3000	113⅛	113⅝	-¼	7.58
SNCF 9¼ 97 FFr	4000	104⅝	104⅞	-⅛	4.7[illegible]

FLOATING RATE NOTES

	Issued	Bid	Offer	C.cpn
Abbey Natl Treasury -1/16 99	1000	99.82	99.89	5.2305
Bankamerica ⅛ 99	750	99.78	99.88	5.9375
Canada -¼ 99	2000	99.48	99.55	5.0547
CCCE 0 06 Ecu	200	99.50	99.61	4.6250
Commerzbk O/S Fin -⅛ 98	750	99.70	99.78	5.1250
Credit Lyonnais 1/16 00	300	97.81	98.19	5.5000
Credit Lyonnais 0.30 98	1250	100.05	100.14	5.7414
Denmark -⅛ 97	1000	99.96	100.04	5.1680
Dresdner Finance ½ 98 DM	1000	100.03	100.08	3.4688
FED NAT MORT -3/16 00	1000	99.64	99.74	5.6250
Ferro del Stat 0.10 97	420	100.08	100.23	5.7500
Finland 0 97	1000	100.14	100.19	5.4492
Finland -⅛ 99	1500	99.71	99.78	5.1875
IMI Bank Intl ¼ 99	500	100.21	100.31	5.5000
Italy 1/16 99	1500	99.94	100.01	5.5625
Italy ¼ 98	2000	100.07	100.15	5.9375
LKB Baden-Wuert Fin -⅛ 98	1000	99.92	99.99	5.6875
Lloyds Bank Perp S 0.10	600	82.50	83.25	5.3500
Malaysia 1/16 05	650	99.65	99.87	6.0000
New Zealand -⅛ 99	1000	99.92	99.99	5.4805
Nova Scotia 3/16 99	500	99.96	100.04	5.4883
Ontario 0 99	2000	99.88	99.95	5.2500
Rente 0 98	500	99.75	99.87	5.6250
State Bk Victoria 0.05 99	125	99.97	100.07	5.8672
Sweden 0 98	1500	100.01	100.07	5.2695
Sweden -⅛ 01	2000	99.57	99.63	5.1758

CONVERTIBLE BONDS

	Issued	Conv. Price	Bid	Offer	Prem.
EE Finance 8¾ 08 £	408	6.4	100⅝	101¼	+65.55
Gold Kalgoorlie 7½ 00	65	1.37	122½	123¾	+17.59
Grand Metropolitan 6½ 00	710	4.37	111⅜	112¼	+17.81
Hanson 9½ 06 £	500	2.48	99⅞	100½	+32.81
Hanson America 2.39 01	420	29.6375	80¾	81⅛	+64.03
Hong Kong Land 4 01	410	31.05	85	85⅞	-14.77
Land Secs 6¾ 02 £	84	6.72	97⅛	98⅝	+7.53
Lasmo 7¾ 05 £	90	5.84	80¾	82	
Mitsui Bank 2⅝ 03	200	2332.6	82	83⅝	+32.78
Mount Isa Fin 6½ 97	100	2.283	98¼	99¼	+60.82
Natl Power 6¼ 08 £	250	4.93	110⅞	111⅞	+1.07
Ogden 6 02	85	39.077	96	97	+78.84
Pennzoil 4¾ 03	500	56.6097	101½	102½	+11.31
Sappi BVI Finance 7½ 02	250	76	93⅛	94½	+64.44
Sumitomo Bank 3⅛ 04	300	3606.9	83⅝	84⅝	+28.13
Sun Alliance 7¼ 08 £	155	3.9	103⅛	104⅛	+5.84
Transatlantic Hldgs 5½ 09 £	250	5.05	79⅛	80½	+16.16

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (‡three-month $above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

UK GILTS PRICES

Notes	Yield Int	Red	Price £	+ or -	52 week High	Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

(b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for June 1995: 149.8 and for January 1996: 150.2.

Other Fixed Interest

Notes	Yield Int	Red	Price £	+ or -	52 week High	Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Prospective real Index-Linked redemption yields are calculated by HSBC Greenwell from Bank of England closing prices.

هكذا من الأصل

CURRENCIES AND MONEY

MARKETS REPORT

Dollar steady as US asset markets stabilise

By Philip Gawith

Foreign exchanges had a fairly steady day yesterday, with the much feared melt-down in financial markets not materialising.

The weakness in Asian and early European trading did not extend to New York, and the firmer tone to US equity and bond prices, after the large falls seen on Friday, helped support the dollar. It finished little changed in London at DM1.4823, from DM1.4836, and at Y105.345 from Y105.825.

There was little movement in currencies in Europe. The D-Mark finished at FFr3.427 against the French franc, from FFr3.425.

The pound finished slightly weaker against the D-Mark, at DM2.2592, from DM2.2642. Against the dollar it closed at $1.5242, from $1.5262.

The nervousness in European bond and equity markets yesterday morning spread to the futures markets. The December short sterling contract, for example, fell to 93.13 at one stage, from Friday's close of 93.49. When New York markets showed that the sell-off was not going to continue, they rallied to close at 93.36.

The South African rand remained weak ahead of tomorrow's budget, which is expected to contain some announcement of a further relaxation in exchange controls. The Taiwan dollar remained stable, amid central bank claims that it had been "over-depreciated".

■ Currency markets were clearly looking to take a lead from the performance of bond and equity markets. In the event, the worst fears of Friday's sell-off extending into a broader melt-down did not materialise, with the dollar left on the sidelines.

In the eyes of some observers, Friday's payroll report anyway deserved to be treated with some scepticism. Mr Dave Munro, chief US economist at High Frequency Economics in New York, said: "The jobs report said that hourly earnings fell by 0.1 per cent at the same time that payroll jobs were exploding by 8 per cent annualized. It isn't plausible to be shaving earnings while pushing up jobs at eight times trend from a base of full employment. These stats do not reflect the business cycle. They reflect the 30 per cent cut in real outlays for US statistical reporting in the past decade..."

There were also conflicting assessments of how well the dollar has performed in recent days. Mr Steve Hannah, director of research at IBJ International in London, said: "The dollar has performed rather disappointingly given the significant re-rating in interest rate expectations. This is indicative that markets were already positioned for pretty good news from the US."

He said the prospect of more losses in US bond and equity prices "further reduced the incentive for people to take on additional long dollar positions."

Mr Hannah said the background of China-Taiwan tensions was also "classic buy the dollar material". He concluded that "if the dollar was going to move up from here, it would have done so by now".

Also relevant, said Mr Hannah, was that Mr Fred Bergsten, the US economist, had undoubtedly struck a chord with his view, cliched though it was, that the yen would rise to Y90-100 in the next few weeks. He said markets were nervous that the dollar might become hostage to a protectionist undercurrent in the US presidential debate, notwithstanding the Bank of Japan's clear preference for a Y100-110 trading range.

By contrast, Mr Paul Chertkow, head of global currency research at UBS in London, said that the dollar had "held up very well". He said the 2-3 per cent sell-off in leading Asian and European markets had left the dollar unscathed.

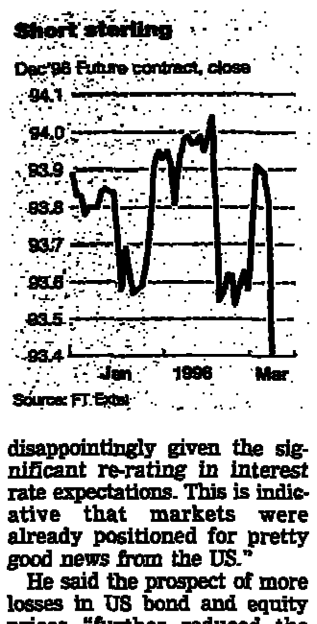
Mr Chertkow said the dollar's fortunes still appeared to be more in the hands of short-term traders, who pay attention to changes in short-term interest rate differentials, rather than to shifts in asset prices.

Further, Mr Chertkow maintains that contrary to fears of large-scale repatriation before the financial year end, which would push the dollar lower, Japanese institutions are likely to raise their weighting of foreign assets in the new fiscal year.

He said the dollar's failure to do better, given the favourable backdrop, could be attributed to fears that falling US bond and equity prices would push it lower – the reverse of what happened in 1994.

Short sterling

Dec'96 Future contract, close



Source: FT Extel

■ Pound in New York

Mar 11	—Latest—	—Prev. close—
£ spot	1.5240	1.5245
1 mth	1.5230	1.5234
3 mth	1.5212	1.5216
1 yr	1.5138	1.5147

POUND SPOT FORWARD AGAINST THE POUND

Mar 11		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.8878	-0.0358	810 - 945	15.9310	15.8685	15.8578	2.3	15.7733	2.8	-	-	105.9
Belgium	(BFr)	46.4515	-0.1113	317 - 713	46.5730	46.2920	46.3415	2.8	46.1365	2.7	45.2565	2.6	108.0
Denmark	(DKr)	8.7303	-0.0191	260 - 346	8.7458	8.7129	8.7172	1.8	8.6927	1.7	8.5992	1.5	108.0
Finland	(FM)	7.0264	-0.0131	196 - 330	7.0510	6.9980	7.022	0.8	7.0130	0.7	-	-	83.8
France	(FFr)	7.7408	-0.0128	383 - 432	7.7556	7.7206	7.7279	2.0	7.7066	1.8	7.6193	1.6	108.3
Germany	(DM)	2.2592	-0.005	583 - 601	2.2669	2.2530	2.2536	2.9	2.2438	2.8	2.1982	2.7	110.1
Greece	(Dr)	369.744	-0.164	583 - 905	370.073	367.703	-	-	-	-	-	-	66.2
Ireland	(I£)	0.9723	-0.0007	714 - 731	0.9741	0.9703	0.9714	1.1	0.9701	0.9	0.9657	0.7	97.5
Italy	(L)	2382.66	-1.55	190 - 346	2389.15	2375.87	2390.43	-3.9	2404.08	-3.6	2453.58	-3.0	74.1
Luxembourg	(LFr)	46.4515	-0.1113	317 - 713	46.5730	46.2920	46.3415	2.8	46.1365	2.7	45.2565	2.6	108.0
Netherlands	(Fl)	2.5294	-0.0057	283 - 304	2.5384	2.5234	2.5231	3.0	2.5111	2.9	2.4629	2.6	108.2
Norway	(NKr)	9.8259	-0.0171	191 - 327	9.8517	9.7591	9.8153	1.3	9.7981	1.2	9.7223	1.1	98.8
Portugal	(Es)	233.652	-1.236	507 - 797	234.527	233.207	234.077	-2.2	234.982	-2.3	-	-	95.4
Spain	(Pta)	190.031	-0.463	911 - 151	190.348	189.682	190.471	-2.8	191.266	-2.6	194.301	-2.2	81.9
Sweden	(SKr)	10.4150	+0.0263	053 - 253	10.4615	10.3629	10.4167	-0.2	10.4186	-0.1	10.4258	-0.1	86.6
Switzerland	(SFr)	1.8311	-0.0056	301 - 321	1.8327	1.8273	1.8257	4.4	1.8108	4.4	1.756	4.1	113.9
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	83.6
Ecu		1.2209	+0.0005	203 - 215	1.2217	1.2152	1.2194	1.5	1.2166	1.4	1.2042	1.4	-
SDR†		1.04511	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5239	-0.0017	235 - 243	1.5253	1.5205	-	-	-	-	-	-	-
Brazil	(R$)	1.4993	-0.0018	988 - 997	1.5001	1.4951	-	-	-	-	-	-	-
Canada	(C$)	2.0835	-0.0024	826 - 843	2.0850	2.0778	2.0817	1.0	2.0792	0.8	2.0709	0.6	84.1
Mexico	(New Peso)	11.6247	+0.0336	068 - 426	11.6594	11.5555	-	-	-	-	-	-	-
USA	($)	1.5242	-0.002	238 - 245	1.5265	1.5205	1.5232	0.8	1.5214	0.7	1.5144	0.6	95.7
Pacific/Middle East/Africa													
Australia	(A$)	1.9834	-0.0031	823 - 845	1.9884	1.9783	1.9858	-1.5	1.9906	-1.4	2.0173	-1.7	89.8
Hong Kong	(HK$)	11.7855	-0.0158	820 - 890	11.7978	11.7598	11.7771	0.9	11.768	0.7	11.7436	0.4	-
India	(Rs)	51.8402	-0.1329	092 - 711	51.9740	51.6040	-	-	-	-	-	-	-
Israel	(Shk)	4.7342	-0.0122	197 - 287	4.7389	4.7151	-	-	-	-	-	-	-
Japan	(Y)	160.582	-0.843	022 - 621	161.840	160.110	159.732	6.2	158.277	5.7	151.942	5.4	138.1
Malaysia	(M$)	3.8749	-0.0046	732 - 765	3.8816	3.8697	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2442	-0.015	429 - 455	2.2579	2.2409	2.2496	-2.9	2.2594	-2.7	2.3001	-2.5	108.2
Philippines	(Peso)	39.9558	+0.0162	083 - 029	40.0079	39.8979	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.7160	-0.0079	144 - 176	5.7212	5.7029	-	-	-	-	-	-	-
Singapore	(S$)	2.1433	-0.0063	420 - 445	2.1468	2.1413	-	-	-	-	-	-	-
South Africa	(R)	6.0014	+0.0074	982 - 085	6.0415	5.9795	-	-	-	-	-	-	-
South Korea	(Won)	1189.86	+3.47	983 - 033	1190.84	1182.19	-	-	-	-	-	-	-
Taiwan	(T$)	41.9134	-0.055	030 - 238	41.9305	41.8137	-	-	-	-	-	-	-
Thailand	(Bt)	38.4391	-0.0504	226 - 555	38.4650	38.3770	-	-	-	-	-	-	-

† Rates for Mar 8. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Mar 11		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan Index
Europe													
Austria	(Sch)	10.4241	-0.0097	220 - 261	10.4740	10.3985	10.4081	1.8	10.3786	1.8	10.2541	1.5	105.7
Belgium	(BFr)	30.4770	-0.033	710 - 830	30.6000	30.4010	30.432	1.8	30.34	1.8	30.007	1.5	107.6
Denmark	(DKr)	5.7280	-0.005	265 - 295	5.7456	5.7137	5.7248	0.7	5.719	0.6	5.7355	-0.1	108.1
Finland	(FM)	4.6101	-0.0026	088 - 133	4.6282	4.5918	4.6056	1.2	4.5971	1.1	4.5606	0.6	82.9
France	(FFr)	5.0788	-0.0017	783 - 792	5.0950	5.0640	5.0733	1.3	5.0646	1.1	5.0226	1.1	108.8
Germany	(DM)	1.4823	-0.0013	820 - 825	1.4900	1.4783	1.4796	2.2	1.4748	2.0	1.4516	2.1	109.3
Greece	(Dr)	242.590	+0.21	540 - 640	243.060	241.670	244.165	-7.8	247.415	-6.0	262.09	-8.0	65.7
Ireland	(I£)	1.5677	-0.0009	667 - 687	1.5690	1.5648	1.569	-0.2	1.5682	-0.1	1.5682	-0.4	-
Italy	(L)	1563.28	+1.04	313 - 344	1568.50	1559.50	1569.64	-4.9	1581.39	-4.8	1632.29	-4.4	73.5
Luxembourg	(LFr)	30.4770	-0.033	710 - 830	30.6000	30.4010	30.432	1.8	30.337	1.8	30.032	1.5	107.6
Netherlands	(Fl)	1.6596	-0.0016	592 - 598	1.6678	1.6551	1.6564	2.2	1.65	2.3	1.6278	1.9	107.5
Norway	(NKr)	6.4468	-0.0026	438 - 498	6.4771	6.4050	6.4445	0.4	6.4363	0.7	6.4193	0.4	97.9
Portugal	(Es)	153.300	-0.61	240 - 360	154.040	153.210	153.675	-2.9	154.445	-3.0	158.05	-3.1	95.0
Spain	(Pta)	124.680	-0.14	630 - 730	125.000	124.450	125.075	-3.8	125.81	-3.6	128.3	-3.7	81.5
Sweden	(SKr)	6.8335	+0.0262	285 - 385	6.8735	6.7960	6.8505	-3.0	6.88	-2.7	7.0175	-2.7	86.3
Switzerland	(SFr)	1.2014	-0.0021	010 - 018	1.2055	1.1965	1.1973	4.1	1.1902	3.7	1.1596	3.5	113.2
UK	(£)	1.5242	-0.002	238 - 245	1.5265	1.5205	1.5232	0.8	1.5214	0.7	1.5144	0.6	83.3
Ecu		1.2484	-0.0022	481 - 487	1.2534	1.2480	1.2487	-0.3	1.249	-0.2	1.2497	-0.1	-
SDR†		0.68334	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	+0.0002	998 - 999	1.0000	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	0.9837	+0.0001	836 - 837	0.9840	0.9834	-	-	-	-	-	-	-
Canada	(C$)	1.3670	+0.0004	667 - 672	1.3683	1.3635	1.3668	0.1	1.3671	0.0	1.3699	-0.2	83.3
Mexico	(New Peso)	7.6270	+0.032	170 - 370	7.6400	7.6100	7.6292	-0.4	7.6324	-0.3	7.6373	-0.1	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	96.9
Pacific/Middle East/Africa													
Australia	(A$)	1.3012	-0.0004	009 - 017	1.3034	1.3000	1.3032	-1.8	1.3067	-1.7	1.3254	-1.9	91.2
Hong Kong	(HK$)	7.7325	+0.0001	320 - 330	7.7343	7.7314	7.7332	-0.1	7.735	-0.1	7.762	-0.4	-
India	(Rs)	34.0125	-0.0425	000 - 250	34.1050	34.0000	34.1625	-5.3	34.4875	-5.4	35.9375	-5.7	-
Israel	(Shk)	3.0986	-0.0039	973 - 018	3.1077	3.0970	-	-	-	-	-	-	-
Japan	(Y)	105.345	-0.48	330 - 360	105.980	105.030	104.87	5.4	104.035	5.0	100.33	4.8	138.0
Malaysia	(M$)	2.5423	+0.0003	418 - 428	2.5500	2.5410	2.5432	-0.4	2.5493	-1.1	2.5726	-1.2	-
New Zealand	(NZ$)	1.4723	-0.0079	719 - 730	1.4801	1.4711	1.4754	-2.5	1.4812	-2.4	1.5058	-2.3	-
Philippines	(Peso)	26.2150	+0.045	900 - 400	26.2400	26.1900	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7503	-0.0003	501 - 505	3.7505	3.7501	3.7508	-0.1	3.7515	-0.1	3.7548	-0.1	-
Singapore	(S$)	1.4062	-0.0023	057 - 067	1.4105	1.4057	1.4026	3.0	1.3986	2.7	1.3712	2.5	-
South Africa	(R)	3.9375	+0.01	350 - 400	3.9650	3.9255	3.9863	-6.8	4.0178	-8.2	4.241	-7.7	-
South Korea	(Won)	780.750	+3.3	700 - 800	781.800	778.100	783.75	-4.6	787.25	-3.3	805.75	-3.2	-
Taiwan	(T$)	27.4995	-	990 - 000	27.5000	27.4990	27.5195	-0.9	27.5595	-0.9	-	-	-
Thailand	(Bt)	25.2200	-	150 - 250	25.2440	25.2140	25.3187	-4.7	25.5225	-4.8	26.405	-4.7	-

† SDR rate per $ for Mar 8. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Mar 8: Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

March 11	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3⅛	3⅛	3⅛	3⅛	3½	7.00	3.00	-
week ago	3⅛	3⅛	3⅛	3⅛	3⅛	7.00	3.00	-
France	4½	4½	4⅜	4⅜	4½	3.80	-	5.80
week ago	4⅜	4⅜	4⅜	4⅜	4⅜	3.80	-	5.60
Germany	3⅜	3⅜	3¼	3¼	3⅜	5.00	3.00	3.30
week ago	3¼	3⅜	3¼	3⅜	3⅜	5.00	3.00	3.30
Ireland	5⅛	5⅜	5⅜	5⅜	5⅜	-	-	6.25
week ago	5⅛	5⅜	5⅛	5⅛	5¼	-	-	6.25
Italy	9⅞	9⅞	9⅞	9⅞	9⅝	-	9.00	9.89
week ago	9⅞	9⅞	9½	9⅞	9⅝	-	9.00	9.89
Netherlands	3⅜	3⅜	3⅜	3⅜	3¼	-	3.00	3.30
week ago	3⅛	3⅜	3⅛	3⅜	3¼	-	3.00	3.30
Switzerland	1¾	1⅝	1⅝	1⅝	1¾	5.00	1.50	-
week ago	1⅝	1⅝	1⅝	1⅝	1⅝	5.00	1.50	-
US	5⅜	5⅜	5⅜	5⅜	5⅝	-	5.00	-
week ago	5⅜	5⅜	5⅜	5⅜	5⅜	-	5.00	-
Japan	⅜	⅜	⅜	½	⅜	-	0.50	-
week ago	⅜	⅜	⅜	⅜	⅜	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5⅜	5⅜	5⅜	5⅝	-	-	-
week ago	-	5⅜	5⅜	5¼	5¼	-	-	-
US Dollar CDs	-	4.99	5.11	5.20	5.47	-	-	-
week ago	-	4.99	4.88	4.89	4.94	-	-	-
ECU Linked Ds	-	4⅜	4⅜	4⅜	4⅜	-	-	-
week ago	-	4⅜	4⅜	4⅜	4⅜	-	-	-
SDR Linked Ds	-	3⅜	3⅜	3⅜	3⅜	-	-	-
week ago	-	3⅜	3⅜	3¼	3⅜	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Mar 11	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3⅜ - 3¼	3⅜ - 3¼	3⅜ - 3⅜	3⅜ - 3⅜	3⅜ - 3⅜	3⅜ - 3⅜
Danish Krone	4⅜ - 3⅞	4⅜ - 4⅜	4⅜ - 4⅜	4⅜ - 4¼	4⅜ - 4⅜	4⅜ - 4½
D-Mark	3⅜ - 3⅜	3⅜ - 3⅜	3⅜ - 3⅜	3⅜ - 3¼	3⅜ - 3¼	3½ - 3⅜
Dutch Guilder	3¼ - 3⅛	3⅜ - 3⅜	3⅜ - 3⅛	3⅜ - 3⅛	3⅜ - 3⅛	3⅜ - 3⅜
French Franc	4⅜ - 4⅜	4⅜ - 4⅜	4⅜ - 4⅜	4⅜ - 4⅜	4⅜ - 4⅜	4½ - 4⅜
Portuguese Esc.	7⅞ - 7¾	8 - 7⅞	8 - 7⅞	7⅞ - 8⅞	7⅞ - 7⅞	7⅞ - 7⅞
Spanish Peseta	9⅜ - 8⅞	8⅞ - 8⅞	8⅞ - 8⅞	8⅞ - 8⅞	8½ - 8⅜	8½ - 8⅜
Sterling	6⅛ - 6	6⅛ - 6	6⅛ - 6⅛	6⅛ - 6⅛	6⅜ - 6⅛	6⅜ - 6¼
Swiss Franc	1⅞ - 1⅞	1¾ - 1⅝	1¾ - 1⅝	1¾ - 1⅝	1⅞ - 1⅞	2 - 1⅞
Can. Dollar	5¼ - 5⅜	5¼ - 5⅜	5¼ - 5⅛	5⅜ - 5¼	5½ - 5⅜	5⅞ - 5⅞
US Dollar	5¼ - 5	5⅜ - 5⅜	5⅜ - 5⅜	5⅜ - 5⅜	5⅜ - 5¼	5⅞ - 5⅜
Italian Lira	10⅜ - 9⅞	9⅞ - 9⅞	9⅞ - 9⅞	9⅞ - 9⅞	9⅞ - 9⅞	9⅞ - 9⅞
Yen	⅜ - ⅜	⅜ - ⅜	⅜ - ⅜	½ - ⅜	⅜ - ⅜	⅝ - ⅜
Asian $Sing	1⅜ - 1⅜	1⅞ - 1⅜	1⅞ - 1⅞	2⅜ - 2⅜	2⅜ - 2⅜	2¾ - 2⅝

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate (FFr5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.62	95.66	-0.02	95.69	95.62	9,975	42,570
Jun	95.53	95.54	-0.07	95.60	95.48	23,477	54,067
Sep	95.48	95.48	-0.09	95.55	95.42	9,356	49,126

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.62	96.66	+0.01	96.67	96.60	14072	130132
Jun	96.67	96.73	+0.01	96.74	96.65	50921	219299
Sep	96.52	96.58	-0.01	96.59	96.45	61479	208992
Dec	96.23	96.25	-0.01	96.26	96.10	69496	185159

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	90.25	90.25	-0.05	90.26	90.15	6197	31072
Jun	90.77	90.76	-0.11	90.81	90.67	13825	34199
Sep	91.06	91.05	-0.10	91.07	90.96	2563	19034
Dec	91.06	91.06	-0.11	91.06	90.97	1441	14717

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	98.26	98.27	-0.01	98.29	98.25	1436	19550
Jun	98.12	98.19	+0.01	98.20	98.12	4030	25186
Sep	97.96	97.98	+0	97.98	97.90	1900	13516
Dec	97.65	97.65	+0	97.65	97.57	1122	9018

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.32	95.35	-0.02	95.38	95.31	1100	6175
Jun	95.40	95.41	-0.05	95.43	95.36	1486	5869
Sep	95.32	95.31	-0.08	95.33	95.25	394	3325
Dec	95.03	95.05	-0.09	95.06	94.96	341	3247

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
9025	0.07	0.72	1.07	0.07	0.21	0.27
9050	0.01	0.54	0.88	0.26	0.28	0.33
9075	0	0.38	0.72	0.50	0.37	0.42

Est. vol. total, Calls 200 Puts 14. Previous day's open int., Calls 29913 Puts 22182

■ OTHER CURRENCIES

Mar 11	£	$
Czech Rp	41.5385 - 41.5731	27.2600 - 27.2700
Hungary	217.482 - 217.822	142.730 - 142.750
Iran	4572.50 - 4571.40	3000.00 - 3000.00
Kuwait	0.4555 - 0.4561	0.2980 - 0.2983
Poland	3.9253 - 3.9285	2.5760 - 2.5770
Russia	7348.23 - 7357.24	4823.00 - 4826.00
U.A.E.	5.5592 - 5.5666	3.5725 - 3.5731

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Mar 11		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.79	16.67	4.863	2.093	5130	5.445	21.15	503.1	409.0	22.43	3.942	2.153	4.487	3.281	345.7	2.629
Denmark	(DKr)	53.21	10	8.867	2.588	1.113	2730	2.897	11.26	267.7	217.6	11.94	2.097	1.145	2.387	1.746	184.0	1.399
France	(FFr)	60.01	11.28	10	2.918	1.256	3078	3.267	12.69	301.9	245.4	13.46	2.365	1.292	2.692	1.969	207.5	1.577
Germany	(DM)	20.56	3.865	3.427	1	0.430	1055	1.120	4.350	103.5	84.11	4.613	0.811	0.443	0.923	0.675	71.09	0.541
Ireland	(I£)	47.79	8.981	7.964	2.324	1	2452	2.602	10.11	240.4	195.5	10.72	1.884	1.029	2.144	1.568	165.2	1.256
Italy	(L)	1.949	0.366	0.325	0.095	0.041	100.	0.106	0.412	9.807	7.973	0.437	0.077	0.042	0.087	0.064	6.739	0.051
Netherlands	(Fl)	18.37	3.452	3.061	0.893	0.384	942.3	1	3.885	92.41	75.13	4.120	0.724	0.395	0.824	0.603	63.50	0.483
Norway	(NKr)	47.27	8.885	7.878	2.299	0.989	2425	2.574	10	237.8	193.4	10.60	1.863	1.018	2.121	1.551	163.4	1.243
Portugal	(Es)	19.88	3.736	3.312	0.967	0.416	1020	1.082	4.205	100.	81.30	4.459	0.783	0.428	0.892	0.652	68.72	0.522
Spain	(Pta)	24.45	4.595	4.074	1.189	0.512	1254	1.331	5.172	123.0	100.	5.484	0.964	0.526	1.097	0.802	84.53	0.643
Sweden	(SKr)	44.58	8.378	7.429	2.168	0.933	2287	2.427	9.430	224.3	182.3	10	1.757	0.960	2.000	1.463	154.1	1.172
Switzerland	(SFr)	25.37	4.768	4.228	1.234	0.531	1301	1.381	5.366	127.6	103.8	5.691	1	0.546	1.138	0.832	87.71	0.667
UK	(£)	46.45	8.730	7.741	2.259	0.972	2383	2.529	9.826	233.7	190.0	10.42	1.831	1	2.084	1.524	160.6	1.221
Canada	(C$)	22.29	4.189	3.714	1.084	0.466	1143	1.214	4.715	112.1	91.17	5.000	0.879	0.480	1	0.731	77.06	0.586
US	($)	30.48	5.728	5.079	1.482	0.638	1564	1.659	6.448	153.3	124.7	6.837	1.201	0.656	1.367	1	105.4	0.801
Japan	(Y)	28.92	5.438	4.820	1.407	0.605	1484	1.575	6.118	145.5	118.3	6.488	1.140	0.623	1.298	0.949	100.	0.760
Ecu		38.04	7.150	6.340	1.850	0.796	1952	2.071	8.046	191.4	155.6	8.534	1.500	0.819	1.707	1.248	131.5	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6710	0.6765	+0.0039	0.6769	0.6710	50,148	62,813
Jun	0.6754	0.6800	+0.0041	0.6802	0.6748	17,759	23,106
Sep	-	0.6794	-	-	-	289	1,847

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.8305	0.8355	+0.0048	0.8355	0.8300	23,360	29,459
Jun	0.8380	0.8404	+0.0022	0.8428	0.8380	7,023	12,924
Sep	0.8481	0.8492	+0.0038	0.8505	0.8481	21	311

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.9409	0.9506	+0.0063	0.9537	0.9409	25,858	47,362
Jun	0.9521	0.9622	+0.0063	0.9655	0.9521	11,562	26,900
Sep	0.9745	0.9750	+0.0080	0.9750	0.9745	16	984

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.5208	1.5250	+0.0026	1.5250	1.5208	33,223	36,688
Jun	1.5200	1.5200	+0.0002	1.5220	1.5194	18,753	24,159
Sep	-	1.5180	+0.0012	1.5180	-	2	15

UK INTEREST RATES

LONDON MONEY RATES

Mar 11	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6½ - 5¼	6⅛ - 5⅞	6⅛ - 6	6⅛ - 6⅛	6¼ - 6⅛	6½ - 6⅛
Sterling CDs	-	-	6⅛ - 6⅛	6⅛ - 6	6⅛ - 6⅛	6⅛ - 6⅛
Treasury Bills	-	-	5⅞ - 5⅞	5⅞ - 5⅞	-	-
Bank Bills	-	-	5⅞ - 5⅞	5⅞ - 5⅞	5⅞ - 5⅞	-
Local authority deps.	6⅛ - 5⅞	6⅛ - 5⅞	6⅛ - 6	6⅛ - 5⅞	6 - 5⅞	6⅛ - 5⅞
Discount Market deps	6 - 5½	6⅛ - 5⅞	-	-	-	-

UK clearing bank base lending rate 6 per cent from March 8, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Ave. tender rate of discount 5.9280pc. ECGD fixed rate Stg. Export Finance. Make up day Feb 29, 1996. Agreed rate for period Mar 26, 1996 to Apr 23, 1996, Schemes II & III 7.48pc. Reference rate for period Feb 1, 1996 to Feb 29, 1996, Schemes IV & V 6.236pc. Finance House Base Rate 6.5pc from March 1, 1996

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.85	93.87	-	93.88	93.84	13701	56723
Jun	93.84	93.90	-	93.91	93.81	31988	72796
Sep	93.68	93.71	-0.07	93.75	93.52	40090	50502
Dec	93.37	93.36	-0.13	93.44	93.13	33906	42771
Mar	93.02	92.94	-0.19	93.08	92.71	11179	33821

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
9375	0.13	0.25	0.30	0.01	0.10	0.34
9400	0.01	0.11	0.18	0.14	0.21	0.47
9425	0	0.04	0.11	0.38	0.39	0.65

Est. vol. total, Calls 10829 Puts 14207. Previous day's open int., Calls 158160 Puts 182313

EMS EUROPEAN CURRENCY UNIT RATES

Mar 11	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Spain	162.493	159.264	-0.059	-1.99	5.01	14
Netherlands	2.15214	2.11917	-0.00066	-1.53	4.53	11
Belgium	39.3960	38.9188	-0.0098	-1.21	4.19	9
Austria	13.4383	13.3141	-0.0044	-0.92	3.88	7
Germany	1.91007	1.89308	-0.00044	-0.89	3.85	9
Portugal	195.792	196.078	-0.404	0.15	2.77	-1
Denmark	7.28580	7.31555	-0.00177	0.41	2.51	-3
France	6.40608	6.48781	-0.00057	1.28	1.63	-11
Ireland	0.792214	0.815384	+0.000245	2.92	0.00	-20
NON ERM MEMBERS						
Greece	292.867	309.854	+0.411	5.80	-2.72	-
Italy	2106.15	2001.03	+1.14	-4.99	8.33	-
UK	0.786652	0.838616	+0.001076	6.61	-3.45	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Mar	Apr	May	PUTS Mar	Apr	May
1.500	2.15	2.51	2.85	0.09	0.40	0.88
1.510	1.28	1.79	2.26	0.12	0.70	1.24
1.520	0.50	1.21	1.72	0.44	1.11	1.69
1.530	0.20	0.77	1.27	0.96	1.68	2.25
1.540	0.02	0.45	0.91	1.77	2.36	2.84
1.550	-	0.24	0.68	2.651	3.09	3.55

Previous day's vol., Calls 7,193 Puts 6,751. Prev. day's open int., Calls 187,880 Puts 201,573

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	94.63	94.60	-0.03	94.63	94.58	103,142	301,824
Jun	94.58	94.53	-0.04	94.59	94.49	279,500	403,518
Sep	94.40	94.35	-0.05	94.43	94.28	314,036	335,242

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	95.10	95.14	+0.01	95.14	95.10	902	3,932
Jun	94.99	95.01	-0.03	95.02	94.97	5,447	6,617
Sep	94.77	94.81	-0.04	94.82	94.77	454	1,369

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Mar	Apr	May	Jun	PUTS Mar	Apr	May	Jun
9650	0.17	0.25	0.28	0.31	0.01	0.02	0.05	0.08
9675	0.02	0.08	0.11	0.14	0.11	0.10	0.13	0.16
9700	0	0.02	0.03	0.05	0.34	0.29	0.30	0.32

Est. vol. total, Calls 29560 Puts 16731. Previous day's open int., Calls 392076 Puts 363550

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
9825	0.05	0.14	0.14	0.03	0.20	0.41
9850	0.01	0.06	0.06	0.24	0.37	0.58
9875	0	0.01	0.03	0.48	0.57	0.80

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 9345 Puts 4874

BASE LENDING RATES

	%		%		%
Adam & Company	6.00	Duncan Lawrie	6.00	Royal Bk of Scotland	6.25
Allied Trust Bank	6.00	Exeter Bank Limited	7.25	●Singer & Friedlander	6.00
AIB Bank	6.00	Financial & Gen Bank	7.00	●Smith & Williamson Secs	6.00
●Henry Ansbacher	6.00	●Robert Fleming & Co	6.00	TSB	6.25
Bank of Baroda	6.25	Girobank	6.25	United Bank of Kuwait	6.00
Banco Bilbao Vizcaya	6.00	●Guinness Mahon	6.25	Unity Trust Bank Plc	6.00
Bank of Cyprus	6.00	Habib Bank AG Zurich	6.00	Western Trust	6.00
Bank of Ireland	6.00	●Hambros Bank	6.00	Whiteaway Laidlaw	6.00
Bank of India	6.00	Heritable & Gen Inv Bk	6.25	Yorkshire Bank	6.00
Bank of Scotland	6.25	●Hill Samuel	6.00		
Barclays Bank	6.00	C. Hoare & Co	6.00	● Members of London Investment Banking Association	
Brit Bk of Mid East	6.00	Hongkong & Shanghai	6.00	• In administration	
●Brown Shipley & Co Ltd	6.00	Julian Hodge Bank	6.25		
Citibank NA	6.00	●Leopold Joseph & Sons	6.00		
Clydesdale Bank	6.25	Lloyds Bank	6.00		
The Co-operative Bank	6.00	Meghraj Bank Ltd	6.00		
Coutts & Co	6.00	Midland Bank	6.25		
Credit Lyonnais	6.00	• Mount Credit Corp	6.25		
Cyprus Popular Bank	6.25	NatWestminster	6.25		
		●Rea Brothers	6.00		

Banco Industrial e Comercial S.A.
U.S. $50,000,000
10.0 per cent. Notes Due 1996

Notice is hereby given pursuant to Condition 15 of the U.S. $50,000,000 10.0 per cent. Notes due 1996 (the "Notes") of Banco Industrial e Comercial S.A. (the "Issuer") that the Issuer and Socimer International Bank Limited have agreed that certain of the Notes will be acquired on, and amended with effect from, March 15, 1996 to extend their final maturity to September 11, 1996. The balance of the Notes will be redeemed on March 15, 1996. All Notes will be acquired or redeemed at their face amount and interest due will be paid. All Notes and relevant coupons must still be presented and surrendered to Chase Manhattan Trust & Banking Co. (Japan) Ltd. as Principal Paying Agent or any other Paying Agent. For further information, Noteholders should contact Socimer Capital Markets S.A., 114 rue du Rhône, 1204 Geneva, Switzerland, Attn: Edward Farrell (Tel: 4122-848-7525).

By: The Chase Manhattan Bank, N.A.
London, Agent Bank
March 12, 1996
CHASE

Prices for electricity determined for the purposes of the electricity pooling and settlement Arrangements
- In England and Wales.

1/2 hour period ending	Provisional Price for Trading on 12.03.96 Pool purchase price £/MWh	Final Prices for Trading on 11.03.96 Pool purchase price £/MWh	Pool selling price £/MWh
0030	12.30	10.21	10.21
0100	10.99	12.84	13.70
0130	10.99	18.48	19.35
0200	10.99	18.48	19.35
0230	10.99	12.84	13.70
0300	10.99	18.48	19.35
0330	10.98	18.48	19.35
0400	12.30	10.19	10.19
0430	9.80	9.13	9.13
0500	9.80	9.13	9.13
0530	9.79	10.11	10.11
0600	9.70	10.11	10.11
0630	9.81	10.21	10.21
0700	14.75	10.30	10.30
0730	15.64	18.58	19.47
0800	18.11	20.57	21.49
0830	22.16	18.89	19.79
0900	26.80	21.02	22.08
0930	29.52	26.98	26.45
1000	28.64	31.99	33.12
1030	27.59	32.01	33.14
1100	28.57	32.09	33.23
1130	28.71	32.11	33.27
1200	27.42	25.62	26.65
1230	26.10	25.22	26.28
1300	23.12	20.89	21.89
1330	19.47	18.82	19.76
1400	17.81	18.71	19.63
1430	17.14	18.68	19.59
1500	16.91	18.70	19.61
1530	17.07	18.90	19.85
1600	18.26	22.08	23.48
1630	22.02	33.88	37.40
1700	27.28	64.89	73.24
1730	32.10	111.44	123.89
1800	40.18	120.33	133.08
1830	78.03	104.03	114.54
1900	83.00	80.95	86.59
1930	73.84	41.18	44.42
2000	49.31	32.10	31.59
2030	20.44	20.51	21.51
2100	15.78	20.10	21.00
2130	14.57	19.99	20.86
2200	14.33	15.10	15.97
2230	11.90	12.87	13.73
2300	12.30	10.26	10.26
2330	10.96	10.19	10.19
2400	9.80	9.09	9.09

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £15.86/MWh becomes 1.586p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependant upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8.30am and 5.15pm Monday to Friday.
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GOLD MINES OF KALGOORLIE LIMITED
(ACN 008293565)
US$ 65,000,000 7½ per cent. Subordinated Convertible Bonds due 2000
(the "Bonds")

NOTICE IS HEREBY GIVEN to the holders of the above Bonds (the "Bondholders") that, at the adjourned Meeting of the Bondholders convened by the Notice published in the Financial Times and Luxemburger Wort on 26th February 1996 and held on 8th March 1996, the Extraordinary Resolution set out in such Notice was duly passed.
Dated: 12th March 1996.
This Notice is given by Gold Mines of Kalgoorlie Limited

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Allied Domecq	♣W□	507½	+4½	566	476½	5,257	5.8	18.4
Bulmer (HP)	♣tv	563½	+1½	564	401	397.5	2.7	17.7
Burn St Dist	♣v□	117	-2	146	99	69.4	5.3	25.2
Grand Met	♣v□	428½xd	+3½	467	374	8,872	4.3	18.4
Guinness	♣tv□	461½	-1½	536	412	9,390	3.8	14.3
Highland	♣v	351	-10	486	315	467.5	2.8	15.9
Kirin Y	□	733¼	+3¼	809	621	7,718	0.8	28.0
Macallan-Glen.	♣tv	157	-3	217	157	184.3	3.1	34.8
Marston Martin	♣tv	632½	-2½	690	600	86.7	2.2	17.8
Matthew Clark	♣tv□	700xd	-2	703	542	617.4	3.9	-
Merrydown	♣tv	97½	-5½	140	69	10.6	2.6	-
Seagram $		22⅝	-⅛	25¼	21⅜	6,098	1.3	-

BANKS, MERCHANT

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Barings 8pc Cm 2nd Pf.		80¼	-	80½	50½	6.31	19.8	-
Cater Allen	♣tv	486	-2	525	429	149.8	8.2	7.6
Close Bros	♣tv□	362½xd	-13¼	392	241½	442.8	3.1	18.1
Gerrard & Nat	♣v	412	-1	472	412	201.1	6.8	13.3
Hambros	v□	221½	+3½	225	180	391.8	4.2	-
7½pc Cv Pf		103xd	.....	107½	94	132.7	9.1	-
Joseph (L)	♣tv	450		463	353	23.9	5.2	15.5
King & Shaxson	♣v□	191½	-2½	198	85	40.0	7.4	11.8
Rea Brothers	♣v	60		67	44	29.0	2.1	24.0
Schroders	♣tmd□	1232½	-35½	1478	992	1,861	1.4	17.6
N/V	♣tv	972½	-37½	1180	895½	457.8	1.9	13.9
Singer & Fried	♣tv□	108	-3	113	81	299.2	4.4	11.0

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER FINANCIAL - Cont.

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

Trans Can Pipe ♥ 9¼ -⅛ 9⅝ 7⅜ 1,673 4.4

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	low	Mkt CapCm	Yld Gr's	P/E
Anglo Am Ind		£30½	—	£34½	£30½	2,035	2.6	16.0
Barlow	♣	£8⅜	-⅞	£10⅛	£5⅞	1,708	1.7	Φ
Gold Flds Prop R		155xd	+3	178	138	15.8	6.5	7.4
MK Props.		85	—	95	85	3.42	12.5	-
SASOL	♥	606	-31	648	475	3,548	2.1	-
SA Brews		222½	-½	£25½	£16½	6,680	1.5	32.0
Standard Bank	□	£28⅞	-⅞	£32⅞	£20⅜	3,388	1.6	20.7
Tiger Oats		1112	-25	1270	850	1,673	1.6	Φ
Tongaat-Hulett	†	980	—	1247	672	937.2	1.9	20.0

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on BMR "Headline Earnings" forecasts.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for capital changes.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas Incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ☆ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- ‡ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield, p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. n Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. v P/e ratios are calculated under new ACT guidelines. z Dividend yield includes a special payment. F Yield based on prospectus or other official estimates for 1994-95. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1995. K Yield based on prospectus or other official estimates for 1996. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1995-96. R Forecast annualise yield, p/e based on prospectus or other official estimates. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1350 a year for each security shown, subject to the Editor's discretion

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FT Company Focus

Comprehensive 10-14 page report available on this company, containing key FT stories from the last year, latest survey of City profit forecasts and investment recommendations, 5 year financial and share price performance review, balance sheet and profit and loss data, plus recent Stock Exchange announcements for £6.45.

To order, call 0121 200 4678.

Reports published by ShareFinder Ltd.

A complete update of all London Share Prices was unavailabe for this edition. Some prices shown may be pre-close. Prices for all FTA constituents have been fully updated with closing values.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

Jupiter Tyndall (Bermuda) Ltd

BERMUDA (REGULATED)(**)

Bermuda Intl Invest Mngmt Ltd

GUERNSEY (SIB RECOGNISED)

AIB Investment Managers (Guernsey) Ltd

Royal Bk of Canada O/S Fd Mgrs Ltd

Royal Bk of Canada O/S Fd Mgrs Ltd - Contd.

Sarasin Funds Mngmt (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

Apollo Investment Management Ltd

Arab Bank Fund Managers (Guernsey) Ltd

IRELAND (SIB RECOGNISED)

AIB Fund Management Ltd

Hambros Fund Managers (Ireland) Ltd

Henderson Crosthwaite Investment Co

LGT Asset Management Ltd

IRELAND (REGULATED)(**)

AIB Fund Management Ltd

Citi Investment Fund (Ireland)

Citizens Investment Trust Mngt Company

Daiwa Europe Fund Managers Ireland Ltd

Dragon Korea Fund Plc

Dresdner Kleinwort Benson Int Mgt Services Ltd

Dynamic Pacific Portfolio Fund Plc

East Asia Harmon Ireland Ltd

Egerton Capital European Fund Plc

Emerging Dynamic Fund Plc

Emerging Market Growth Fund Plc

F.I.T. Investment Trust Ltd (u)

Falcon Market Fund Plc

Framlington Investment Mngmt (Ireland) Ltd

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

Bank of Ireland Asset Mngmt (IOM) Ltd

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

INVESCO International Limited

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

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LONDON STOCK EXCHANGE

MARKET REPORT

Equity market rallies strongly after 81-point fall

By Steve Thompson, UK Stock Market Editor

The fall-out from last Friday's limit-down performance by US Treasury bonds and the subsequent 171-point retreat by the Dow Jones Industrial Average continued to reverberate across European markets yesterday.

London's FT-SE 100 index had plunged more than 80 points by early afternoon, with dealers taking avoiding action in case Wall Street embarked on another slide. But the Footsie rallied strongly to close a net 35.8 off at 3,674.5.

The rally was triggered by a gradual recovery in confidence in the US, where the 30-year bond picked up from an early one-point decline and the Dow posted an early 44-point rise after a modest initial fall. At 6pm London time the Dow was around 22 points ahead.

The FT-SE Mid 250 index, which measures the performance of the market's second-line stocks, eventually settled 40.7 lower on balance at 4,212.0.

Friday's decline came in the wake of a big increase in jobs created in the US, which could mean that the run of interest rate cuts in the US has come to an end.

Once again, traders were split on the market's short term potential. One senior salesman said he felt Wall Street was quite likely to stage another substantial drop, if sentiment in the bond market shifted.

Others were impressed by Wall Street's resilience at the opening of US markets yesterday. "We did not feel too bad at all at the close, and if Wall Street finishes up then we could easily see the Footsie back above 3,700; two calm days on Wall Street and we will be back at 3,750," the trader said.

"There was no client selling of the market, although I have to admit there was precious little buying either," he added.

Turnover in equities remained poor throughout the session. Always thin on Mondays, turnover yesterday was 631m, and pretty evenly spread between the leaders and the rest of the market. Customer business on Friday was worth £2bn.

News that US warships were heading for Taiwan in the wake of the heightened tension between Taiwan and China added to the stock market's unease; the Hong Kong market fell some 7 per cent.

The Footsie kicked off 60 points lower, as marketmakers cut their opening prices to dissuade any potential sellers. Their initial move looked to have been successful, when the index began to rally in the first hour of trading.

Early momentum was quickly lost, however, as European trading saw the US long bond lose a further point, dragging gilts and bunds with it and producing a wave of selling pressure in equities. This built up over lunch and saw the Footsie look like threatening the 3,600 level, before Wall Street's robust opening saved the day.

In a session dominated by the overall market picture, Cable and Wireless featured with a strong performance, easily outpacing the rest of the FT-SE 100 constituents after confirmation that the company has held merger talks with BT. "C&W is now most definitely in play: wait for the US bids," said one market-maker.

FT-SE-A All-Share Index

Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover

Source: FT Extel

Indices and ratios

FT-SE 100	3674.3	-35.8
FT-SE Mid 250	4212.0	-40.7
FT-SE-A 350	1843.0	-17.9
FT-SE-A All-Share	[illegible]	[illegible]
FT-SE-A All-Share yield	[illegible]	(3.61)
FT Ordinary index	2746.9	[illegible]
FT-SE-A Non Fins p/e	[illegible]	[illegible]
FT-SE 100 Fut Mar	[illegible]	[illegible]
10 yr Gilt yield	[illegible]	(7.91)
Long gilt/equity yld ratio:	[illegible]	(2.21)

Best performing sectors

1 ......
2 ......
3 ......
4 ......
5 ......

Worst performing sectors

1 ......
2 ......
3 ......
4 ......
5 ......

Merger talk lifts C&W

Shares in **Cable and Wireless** shot forward almost 7 per cent and racked up their best single day's volume since early December, following the announcement that the international telecoms group had been holding talks with BT.

Shrugging off dramatic market slides in London and Hong Kong, the stock soared to the top of the Footsie performance charts as the City bet heavily on imminent corporate activity. According to market gossip, there was no shortage of potential merger candidates.

AT&T, of the US, and Deutsche Telekom were seen as possible partners, although some analysts felt that the German group's forthcoming flotation would distract from a link with C&W. Dealers also pointed to the 10 per cent stake in C&W held by German industrial giant Veba.

But last night a deal with BT had not been ruled out. One top sector watcher said: "BT knows the risks inherent both in the Far East and the UK. It is unlikely to have teed up the latest round of discussions without first putting out informal feelers to the various regulators."

At the close, C&W shares were 30 ahead at 477p, with turnover boosted to 11m by US buying. There was equal excitement in the options market, where the equivalent of a further 5.3m shares were traded. BT shed 2 to 361½p.

Financial stocks led the way down in London's equity slide yesterday.

Cyclicals bought

ICI was the main beneficiary of a recommendation for cyclical stocks yesterday. On a day when the shares went ex a 20p dividend, they managed to move ahead 10 to 919p xd against the market.

UBS was reiterating its enthusiasm for cyclicals. The broker believes there is a strong chance that European monetary union will not happen, thus providing an opportunity for a swathe of additional interest rate cuts.

UBS believes that, even if that scenario does not develop, cyclicals are cheap at the moment. **Courtaulds** also benefited from the broker's stance, gaining 8 at 432p.

Financials falter

Geared to the performance of international bond and equity markets, there was no chance that financials would resist Friday's US rout on the Dow Jones Industrial Average and in Treasuries.

Nor were the stocks with a Far Eastern involvement likely to withstand yesterday's 7.3 per cent slide in Hong Kong.

Standard Chartered and the two classes of **HSBC** were the biggest fallers in the Footsie, accounting for a combined 8 points off the main index. Standard dropped 29 to 586p xd, and HSBC 41½ to 1005½p in the ordinaries and 35½ to 987½p in the Hong Kong registered.

At one stage, the next nine biggest fallers in the blue chip index were also financials. By the close it was down to three: **National Westminster Bank** dipped 23 to 644p, **Sun Alliance** 13 to 367p and **General Accident** 22 to 620p. In the FT-SE Mid 250 index, investment trusts with a Far Eastern flavour were also badly hit.

Rank hopes

News of management changes at **Rank Organisation** led to hopes of long-awaited restructuring within the group and sent the shares 11 higher to 490p.

There was technical support from what one dealer described as "an ongoing buy order". But news that Mr James Daly is to retire as managing director of the film and television division and be replaced by Mr Philip Clement has sparked expectations of a broad reorganisation.

Specifically, there is talk that the Hard Rock Cafe chain could be sold off or floated independently on the stock exchange. Planet Hollywood, Hard Rock's US rival, is currently preparing to list on the New York market and analysts are eagerly awaiting its prospectus in order to get an idea of potential multiples.

Selected water stocks trickled higher on the back of last week's proposed bid by Wessex Water for South West Water and the hope that this would open the door for more takeover activity within the sector. **Thames Water** rose 3 to 551p and **Anglian** 6 to 603p, while **Yorkshire** held steady at 676p.

Press comment got behind conglomerates **Hanson** and **Lonrho**. Hanson, which is in the process of splitting itself into four separate companies, was said to be well ahead with its demerger plans and to have more disposals in the pipeline. The stock appreciated 3 to 189¼p. Lonrho, 3½ firmer at 194¼p, was rumoured to be teeing up a mining disposal.

BTR and **Williams Holdings**, which report annual profits on Thursday and tomorrow respectively, shared in the shakeout. BTR slipped 1½ to 322½p and Williams 3 to 331p.

Engineering leader **GKN** continued to out-swim the tide, breaking through the £9 barrier as the market stuck to the rerating process sparked by last week's strong results.

The City perception of GKN is said to be changing, as good profits progress at Westland and within the Chep pallets and container operation shows signs of turning the group from a cyclical business into a stable growth stock.

GKN shares closed 9 higher at 902p, up more than 8 per cent in three days.

British Steel was also on the upside, hardening 1¼ to 178¼p. Controls specialist **Siebe** was the hardest hit engineer, sliding 19 to 814p.

Airports group **BAA** put on 7 at 511p ahead of today's traffic figures for February. The numbers are expected to be generously upbeat given the recent strength of British Airways' traffic flows.

Bus operator **Go-Ahead** was another transport stock to show some sparkle. It hardened 2 to 324p.

Food manufacturer **Tate & Lyle** added 3 at 487p, with NatWest Securities believed to have issued a buy note. The broker was unavailable for comment.

Healthcare group **Celsis International** moved forward 5 to 107p on news that it has received a European patent for its system for detecting and counting very low levels of microbial contamination.

Mirror Group recovered 2 to 208p with the help of some comment in the Sunday press. Also, the newspaper company reports full-year figures on Thursday and there is growing confidence that the consensus City forecast of £73m will be achieved.

Media shares were generally well supported in front of the sector's results fortnight. Cordiant – the advertising group – and Yorkshire Tyne Tees Television reported figures today, and Reed International announces results tomorrow.

Cordiant eased a penny to 103p, YTV 4 to 1000p and Reed a penny to 1034p.

United News & Media dipped 8 to 627p, with some pressure caused by a sell recommendation from NatWest Securities. The broker is sceptical about the strategic advantages of the proposed merger with MAI and has a fair valuation of only 585p a share for United.

MARKET REPORTERS:
Peter John,
Jeffrey Brown.

FINANCIAL TIMES EQUITY INDICES

	Mar 11	Mar 8	Mar 7	Mar 6	Mar 5	Yr ago	*High	*Low
Ordinary Share	2746.9	2760.0	2794.1	2794.9	2807.9	2307.4	2807.9	2238.3
Ord. div. yield	3.94	3.91	3.85	3.86	3.82	4.56	4.73	3.76
P/E ratio net	16.56	16.65	16.84	16.84	17.08	16.11	21.39	15.35
P/E ratio nil	16.23	16.32	16.62	16.62	16.85	15.77	22.21	15.17

Ordinary Share index since compilation: high 2807.9 5/03/96; low 49.4 26/6/40. Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2721.9	2727.5	2728.4	2717.4	2722.5	2721.8	2716.1	2734.1	2740.5	2747.1	2715.1

	Mar 11	Mar 8	Mar 7	Mar 6	Mar 5	Yr ago
SEAQ bargains	40,381	37,914	35,177	35,021	37,280	23,987
Equity turnover (£m)†	-	1998.2	2093.6	1697.0	1899.6	1004.9
Equity bargains†	-	41,760	41,261	39,596	43,115	34,179
Shares traded (ml)†	-	700.5	696.1	629.7	707.3	424.2

†Excluding intra-market business and overseas turnover.

	Mar 11	Mar 8	Mar 7	Mar 6	Mar 5	Yr ago	*High	*Low
FT-SE AIM	955.58	978.04	989.00	990.23	998.11	-	1054.82	955.58

*For 1995/96.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m)	1995/96 High	Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	51.7	527	496	BZW Eq (Emrds)	517	-4	-	-	-	-
-	F.P.	1.55	2	2	†Capital & Warm	2		-	-	-	-
7.5	F.P.	14.7	9½	3½	Clubhaus	8		-	-	-	11.1
-	F.P.	0.07	5½	3¼	Clubhaus Wrts	3¾		-	-	-	-
12	F.P.	31.3	16½	14	†Freepages	14	-½	-	-	-	-
-	F.P.	31.3	143	108	[illegible]	128	-2	-	-	-	-
-	F.P.	63.3	43	42	M & G Equity Inc	42	-1	-	-	-	-
-	F.P.	61.3	24½	20½	M & G Equity Cap	20½	-1	-	-	-	-
-	F.P.	5.12	90	88	M & G Equity Div	88	-1	-	-	-	-
-	F.P.	16.2	71	66	†Optical Care (S)	70		-	-	-	-
-	F.P.	193.6	495	241	Schroder UK G Uts	242	-3	-	-	-	-
175	F.P.	120.0	223	197	Shire Pharms	197	-5	-	-	-	-
120	F.P.	33.9	123	123	Stadium Group	123		-	-	-	14.1
180	F.P.	108.5	188	175	Streamline	175	-4	Wv7.7	1.7	5.5	13.2
185	F.P.	105.3	231	218	Visual Action	229		Rv4.7	2.9	2.6	16.8

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3660.0	3674.0	-25.0	3680.0	3622.0	26847	[illegible]
Jun	3658.0	3674.0	-26.0	3677.0	3622.0	6766	[illegible]
Sep		3690.0	-26.0			0	2360

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	4205.0	4205.0	-25.0	4205.0	4205.0	195	2850
Jun	4222.0	4221.5	-25.0	4222.0	4222.0	195	1511

■ FT-SE 100 INDEX OPTION (LIFFE) (*3650) £10 per full index point

[illegible]

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

TRADING VOLUME

■ Major Stocks Yesterday

[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 index constituent. All trades are excluding intra-market business. Source: [illegible]

FT GOLD MINES INDEX

	Mar 8	% chg on day	Mar 7	Year ago	Gross div yield %	P/E ratio	52 week High	Low
Gold Mines Index (33)	2243.07	-0.5	2254.98	1805.97	1.47	-	2520.73	1722.93
■ Regional Indices								
Africa (16)	3012.04	+1.5	2968.50	2728.64	2.80	35.49	3953.86	2272.74
Australasia (5)	2676.91	+0.6	2660.33	2055.62	2.35	40.34	2927.34	1986.82
North America (12)	1963.74	-1.6	1996.65	1499.66	0.89	59.25	2186.39	1488.94

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■ **Hourly movements**

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3649.8	3654.2	3652.2	3632.4	3637.8	3637.9	3632.0	3657.7	3669.4	3674.5	3629.1
FT-SE Mid 250	4191.1	4195.7	4198.7	4195.4	4195.5	4195.5	4192.2	4205.9	4209.8	4212.0	4191.0
FT-SE-A 350	1831.3	1833.5	1833.0	1824.9	1827.0	1827.1	1824.4	1835.8	1840.8	1843.0	1823.4

Time of FT-SE 100 Day's high: 4:30 PM Day's low: 1:27 PM. FT-SE 100 1996 High: 3781.3 (02/02/96) Low: 2954.2 (23/01/95).

■ **FT-SE Actuaries 350 Industry baskets**

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1119.8	1121.2	1121.5	1122.2	1122.1	1121.9	1121.1	1125.8	1127.3	1127.8	1134.1	-6.3
Pharmaceuticls	4915.0	4915.1	4923.4	4891.5	4901.3	4904.4	4882.4	4914.7	4929.6	4931.0	5005.9	-74.9
Water	2128.1	2134.9	2136.4	2135.6	2137.5	2137.5	2137.1	2152.9	2156.5	2156.5	2152.8	3.7
Banks, Retail	3973.0	3975.5	3969.2	3920.4	3909.5	3901.8	3905.2	3942.2	3953.7	3960.6	4080.6	-120.0

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues.
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WORLD STOCK MARKETS

EUROPE

AUSTRIA (Mar 11 / Sch)

BELGIUM/LUXEMBOURG (Mar 11 / Frs.)

CZECH REP (Mar 11 / Koruna)

DENMARK (Mar 11 / Kr)

FINLAND (Mar 11 / Mks)

FRANCE (Mar 11 / Frs.)

GERMANY (Mar 11 / Dm.)

GREECE (Mar 11 / Drachma)

ITALY (Mar 11 / Lire)

NETHERLANDS (Mar 11 / Fls.)

NORWAY (Mar 11 / Kroner)

POLAND (Mar 11 / Zloty)

PORTUGAL (Mar 11 / Escudo)

SPAIN (Mar 11 / Pts.)

SWEDEN (Mar 11 / Kronor)

SWITZERLAND (Mar 11 / Frs.)

TURKEY (Mar 11 / Tk Lira)

PACIFIC

JAPAN (Mar 11 / Yen)

AUSTRALIA (Mar 11 / Aust$)

HONG KONG (Mar 11 / H.K.$)

INDONESIA (Mar 11 / Rupiah)

MALAYSIA (Mar 11 / MYR)

NEW ZEALAND (Mar 11 / NZ $)

SINGAPORE (Mar 11 / S$)

SOUTH KOREA (Mar 11 / Won)

TAIWAN (Mar 11 / TW $)

THAILAND (Mar 11 / Baht)

NORTH AMERICA

CANADA

TORONTO (Mar 11 / Can $)

4 pm close

MONTREAL (Mar 11 / Can $)

4 pm close

Sales			+/-	High	Low
286031	Abitib x	19	+1/8	25¼	17½
61109	AgnEag	24	+1/8	24⅝	12⅝
630913	AirCda	4¼	+	8⅞	4¼
84538	AlbtaE	24¼		25⅜	16⅝
10525	AlbNtG	26		28¼	14½
1353210	AlcnAl	45¾	+2⅛	49⅝	33½
36912	AtcoCl	18½		19⅝	13¼
73685	Avenor x	19½	+½	33⅜	18⅞
6438	BCSugA	10		10⅜	7½
13550	BC Tel	25¼	-½	26⅞	22¼
467059	BCE	48½	+⅛	50½	41¼
17223	BCE Mb	48½	+1½	49	39
11333	BGR A	19½	+¼	20⅜	12½
522816	BkMont	31¼		33¼	24⅝
601305	BkNovS	30¼		32¼	24⅝
521465	BrckGd	40	+¼	45	27⅜
57150	BellEx	1.72	-.03	2.2	1.26
2745	BombA	20¼	+¼	21⅞	14⅞
229583	BmbdrB	20¼		49⅝	11⅝
135694	BrsonA	22⅞	-⅛	24⅞	17¼

AFRICA

SOUTH AFRICA (Mar 11 / Rand)

VReefs	357	...	425	193	3.5
W Area	65	-.50	72	39.25	4.8
W Deep	185	-3	207	100.50	2.7
Winkelh	37.50	...	66	24	5.3

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are based on data from Jan 1 1995. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

INDICES

Thailand					
Bangkok SET(30/4/75)	1353.66	1303.97	1316.19	1472.04 10/7/95	1135.69 16/3/95
Turkey					
Istanbul Comp.(Jan 1986)	62651.6	63700.7	65481.7	66328.29 6/3/96	24644.30 23/1/95
WORLD					
MS Capital Intl(1/1/70)	737.2*	742.7	754.5	761.10 23/2/96	586.21 23/1/95
CROSS-BORDER					
Eurotrack 100(26/10/90)	1562.57	1587.72	1607.55	1607.55 7/3/96	1222.41 13/3/95
Euro Top-100(26/6/90)	1382.55	1398.06	1413.97	1416.84 1/3/96	1117.34 9/3/95
JCapelOrgns(31/12/88)	(u)	374.66	375.87	382.52 19/2/96	282.87 23/1/95
ING Brngs Emrg(7/1/93)	148.99	152.77	154.86	162.72 5/2/96	117.16 10/3/95

India					
BSE Sens.(1979)	3291.65	3344.64	3393.92	3932.09 2/1/95	2626.08 25/1/95
Indonesia					
Jakarta Comp.(10/8/82)	544.54	558.10	561.54	597.36 27/2/96	414.21 19/4/95
Ireland					
ISEQ Overall(4/1/88)	2330.59	2375.78	2396.79	2396.79 7/3/96	1813.59 23/1/95
Italy					
Banca Comm Ital(1972)	587.64	601.51	609.31	680.84 10/2/95	547.79 5/12/95
MIB Generale(2/1/96)	997.0	1020.0	1033.0	1082.88 9/2/96	982.00 15/1/96
Japan					
Nikkei 225(16/5/49)	19796.29	20155.87	19957.15	21118.30 8/3/96	14485.49 3/7/95
Nikkei 300(1/10/82)	284.48	287.78	285.11	307.98 5/1/96	222.28 13/6/95

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
■ CAC-40 (200 x index)							
Mar	1948.0	1951.5	-24.5	1956.0	1924.0	29,612	43,680
Apr	1951.0	1985.0	-24.0	1956.0	1929.0	356	5,677
■ DAX							
Mar	2418.0	2423.0	-26.0	2424.0	2387.5	45,527	-
Jun	2426.0	2435.0	-26.5	2541.0	2399.5	14,335	-

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
■ OMX							
Mar	1425.00	1448.00	+3.75	1460.00	1415.00	7,774	21,950
Apr	1426.50	1446.50	+1.50	1448.50	1414.50	295	1,343
■ BOFFEX							
Mar	3469.0	3500.0	+3.0	3509.0	3445.0	8,471	18,940
Apr	3484.0	3496.2	+6.2	3503.0	3443.0	1,949	3,779

Base values of all indices are 100 except: Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 20 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Sat Mar 9: Taiwan Weighted Price 4809.51; Korea Comp Ex 863.53. Montreal. ♣ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Mar 11 - 2419.72 -29.09

US INDICES

Dow Jones	Mar 8	Mar 7	Mar 6	1995/96 High	1995/96 Low	Since compilation High	Since compilation Low
Industrials	5470.45	5641.69	5629.77	5642.42 (5/3/96)	3832.08 (30/1/95)	5642.42 (5/3/96)	41.22 (2/7/32)
Home Bonds	104.25	104.66	104.91	106.09 (14/2/96)	93.63 (3/1/95)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	2037.72	2082.49	2093.80	2111.37 (22/2/96)	1473.19 (3/1/95)	2111.37 (22/2/96)	12.32 (8/7/32)
Utilities	216.25	222.12	221.35	234.09 (12/2/96)	183.03 (3/1/95)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 5612.79 (5700.22) Low 5395.30 (5585.70) (Theoretical♦)
Day's high 5636.64 (5641.69) Low 5424.57 (5599.79) (Actual♦)

Standard and Poors	Mar 8	Mar 7	Mar 6	1995/96 High	1995/96 Low	Since compilation High	Since compilation Low
Composite‡	633.50	653.65	652.00	661.45 (12/2/96)	459.11 (3/1/95)	661.45 (12/2/96)	4.40 (1/6/32)
Industrials¶	748.15	770.25	766.76	776.23 (22/2/96)	546.28 (3/1/95)	776.23 (22/2/96)	3.62 (21/6/32)
Financial	64.68	67.66	67.84	68.56 (5/3/96)	41.64 (3/1/95)	68.56 (5/3/96)	8.64 (1/10/74)
NYSE Comp.	338.74	350.14	349.48	351.70 (12/2/96)	250.73 (3/1/95)	351.70 (12/2/96)	4.46 (25/4/42)
Amex Mkt Val	558.16	570.31	569.84	570.31 (7/3/96)	433.12 (6/1/95)	570.31 (7/3/96)	29.31 (9/12/72)
NASDAQ Cmp	1083.73	1093.12	1091.82	1117.79 (23/2/96)	743.58 (3/1/95)	1117.79 (23/2/96)	54.87 (31/10/72)

■ RATIOS

	Mar 8	Mar 1	Feb 23	Year ago
Dow Jones Ind. Div. Yield	2.18	2.15	2.12	2.70
	Mar 6	Feb 28	Feb 21	Year ago
S & P Ind. Div. yield	1.87	1.89	1.88	2.36
S & P Ind. P/E ratio	21.05	20.83	19.90	17.32

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Bay Network	11,610,500	34½	+2¼
Sterling Com	8,711,400	29	+5
Micron Tech	7,900,100	29¾	+1½
Federal Nat	7,616,400	30⅝	-2¾
K-Mart	6,927,500	7⅝	-⅛
Merck	5,592,000	64⅜	-2⅝
Motorola	5,276,200	52⅜	+½
IBM	5,243,000	113⅜	-3½
Tele de Mex	4,866,800	29	-1⅝
Intl Paper	4,630,200	38¾	+¼

■ TRADING ACTIVITY

● Volume (million)

	Mar 8	Mar 7	Mar 6
New York SE	551.380	428.664	431.327
Amex	26.947	23.255	19.668
NASDAQ	586.123	527.931	547.304
NYSE			
Issues Traded	3,134	3,109	3,101
Rises	166	1,155	1,134
Falls	2,665	1,149	1,181
Unchanged	303	805	786
New Highs	34	125	145
New Lows	58	24	13

■ S&P 500

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	627.00	631.50	-0.55	631.50	627.00	34,573	103,585
Jun	635.55	637.50	-0.50	637.50	633.50	112,878	122,408

■ Nikkei 225

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	19910.0	19760.0	-420.0	20000.0	19740.0	41,904	222,097
Sep	19940.0	19850.0	-270.0	20000.0	19850.0	584	8,888

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¶ Subject to official recalculation.

■ TOKYO - MOST ACTIVE STOCKS: Monday, March 11, 1996

	Stocks Traded	Closing Prices	Change on day
Nippon Stl Corp	11.9m	335	+1
Pacific Metals	7.8m	712	-15
Shinko Electric	6.8m	885	-25
Sumitomo Mtl Ind	6.0m	299	-2
Fujitsu	5.6m	967	-29
NKK Corp	4.8m	289	+1
Keisei Elect Ry	4.8m	1000	-50
Toshiba Corp	4.5m	756	-7
Oki Elect Ind	4.3m	840	-29
Mitsubishi Hvy	3.2m	836	-14

4 pm close March 11

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1995/96 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
22⅛	12⅛	AAR	0.48	2.3	34	107	20⅝	19⅞	20⅝	+½
46¼	35	AMP	1.00	2.4	21	2781	42¼	41½	42	+⅛
89¾	53⅜	AMR			35	8597	88	84⅝	87⅞	+3⅛
50½	36⅜	ASA	2.00	4.5	29	420	44½	44	44½	+⅛
44⅜	30¾	AbbtL	0.96	2.3	19	9136	42⅜	41¾	42¼	-¼
19⅞	12	Abitibi Pr x	0.40	2.9	7	2256	13⅞	13⅝	13¾	+⅛
30⅝	21	ASM Ind	0.70	2.3	16	25	29⅞	29¾	29⅞	
17½	13⅛	Acptncele			10	54	14⅜	14⅛	14¼	-¼
50⅜	21⅞	ACE Ltd	0.56	1.2	10	682	45½	44⅝	45	-⅞
9⅞	8⅛	ACM Gvt In x	0.90	9.5	8	719	9⅝	9½	9½	
7⅞	6½	ACM GvOpp x	0.66	8.9		270	7⅜	7¼	7⅜	+⅛
7½	5¾	ACM Gvt So x	0.75	10.9		592	6⅞	6¾	6⅞	
9⅛	7¼	ACM Gvt Se x	0.90	10.6		718	8⅝	8⅜	8½	-⅛
9½	7⅞	ACM Man x	0.90	9.7		594	9¼	9⅛	9¼	
31¾	10¼	AcmeClv	0.52	1.7	7	3186	30½	29⅞	30½	+⅜
38¾	6⅛	Acme Elect			51	141	6¼	d6⅛	6⅛	-⅛
34½	23¾	Acordia	0.72	2.6	16	73	28	27¾	27¾	-¼
18¾	10⅛	Acuson			46	548	15¼	14¾	14⅞	-¼
19⅝	15⅝	Adams Expr	0.36	1.9	0	397	19	18¾	18⅞	-⅛
38⅞	16⅛	AdvMic			6	3752	17⅞	17½	17⅝	+⅛
10¼	5	Advest Grp	0.16	1.7	9	55	9½	9¼	9⅜	
27½	11⅞	Advo Inc	0.10	0.8	12	1689	12¼	d11⅞	12	
46¾	24.60	Aegon	1.28	3.0	16	197	42⅝	42¼	42⅝	
5⅞	3⅛	Aerfln			8	121	4⅝	4½	4½	-⅛
78¾	46¾	Aetna L	2.76	3.7	36	4843	75¾	74⅛	75⅛	-½
49½	31⅞	Aflac	0.52	1.1	13	889	47⅜	46⅝	47¼	+⅛
28⅞	16	Ahmnsn	0.88	3.6	7	6554	24¼	23¾	24⅛	-¼
59½	43⅞	AirPrC	1.04	1.9	16	1820	55	53½	55	+1
29½	18⅜	Airbne Frt	0.30	1.1	25	186	27⅛	26⅞	27	-⅛
39⅛	19⅝	Airgas Inc			32	215	38	37⅛	37½	
18⅜	13⅜	Airlease	2.00	11.0	12	23	18⅛	18	18⅛	+⅛
35⅝	24	AirTch			112	5356	30½	29¼	30⅜	+¾
24⅛	13½	Alaska Air	0.20	0.8	18	4602	u24⅛	22⅞	24	+1⅜
26½	17⅛	Albany Int	0.40	2.1	13	298	19⅝	19	19¼	
21⅞	12¼	Alberto x	0.22	1.0	18	703	21¾	21½	21⅝	
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4 pm close March 11

NYSE COMPOSITE PRICES

Continued from previous page

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1995/96 High	Low	Stock	Div.	Yld %	P/E	Sls 100s	High	Low	Close Price	Chng Prev. Close
		- T -								
6½	3⅞	TCBY Enter	0.20	4.7	5	92	4⅜	4⅛	4¼	+⅛
38	18½	TCF Financ	0.62	1.8	20	1374	35½	35	35¼	-⅛
9⅝	7⅝	TCW Conv S	0.84	9.2		160	9⅛	9	9⅛	+⅛
54½	39	TDK Corp A	0.45	0.9	44	5	50⅞	50⅞	50⅞	-½
2½	1⅞	T I S Mtge	0.09	6.4	13	13	1¼	1¼	1¼	
25	11⅛	TJX	0.28	1.1	33	6259	u25	22⅜	24⅞	+2⅛
21⅝	14⅝	TNP Enterp	0.88	4.3	19	181	20¾	20⅜	20½	
91¾	61¾	TRW	2.20	2.5	13	1756	87⅞	85⅝	87¼	-¼
29⅝	19¼	Taiwan Fd	0.03	0.1		1097	20⅛	19½	20	-⅛
10⅞	7¼	Talleyind	0.42	5.8	28	163	7½	d7¼	7⅜	-⅛
		- U -								
		[illegible]								
66	54⅜	UnEl 4.50	4.50	7.0		2	64	64	64	
44⅛	34⅝	UnElec x	2.50	6.1	13	10099	41	40¼	40⅞	-⅛
70⅛	45⅝	UnPac x	1.72	2.5	14	4083	69¼	68⅞	68⅞	+1¼
32½	20½	UnionPlant	1.08	3.7	10	2271	29⅝	29⅛	29⅛	+¼
23⅞	17⅛	UnionTexas	0.20	1.0	17	3314	19⅝	19⅜	19½	-¼
11¾	5½	Unisys				5521	5⅞	5⅝	5⅞	
5	2½	Unit Corp			23	48	4½	4⅜	4½	+⅛
44⅞	34¾	UtdAsset	1.20	2.8	19	861	43⅞	42½	42⅝	-1
15⅝	13	UtdDomRty	0.90	5.9	30	486	15¼	14⅞	15¼	+¼
25⅛	17⅞	UtdDomInd x	0.20	0.8	13	401	24¼	24	24⅛	+⅛
69	34⅛	UtdHlthcre	0.03	0.0	40	9645	63⅞	61⅜	63½	+1⅛
40	29⅜	UtdIllumn	2.88	7.7	10	119	37½	37	37¼	-¾
7⅛	4⅞	UtdIndust	0.20	4.1	14	32	4⅞	4¾	4⅞	
13¼	10½	UtdKgdmFnd	0.39	3.3		93	11⅞	11¾	11¾	
22½	6½	UParkCity			201	2	14⅛	14⅛	14⅛	-⅛
17⅞	4¼	USAir	0.12	0.7	31	3950	17¼	16⅝	17⅛	+⅝
19½	13⅜	USFMS	0.20	1.3	9	5048	14⅞	14½	14⅞	+½
29	14⅞	US Filter			39	646	27⅛	26¾	27⅛	+¼
29⅝	14¾	USHome			8	1394	25	23⅝	24½	-⅜
33¾	22½	USLICp	0.93	3.2	9	1105	30	29⅜	29⅜	-⅜
29⅞	18¾	USSurg	0.08	0.3	26	2806	27¾	26⅝	27¾	+1
112¼	62¼	UtdTec	2.20	2.0	19	4351	109¾	106¾	109½	+3½
14⅛	11¾	UtdWater	0.92	7.0	24	176	13⅛	12¾	13⅛	+¼
32½	17⅝	Unitrode			17	121	26	25¼	26	+⅜
41¼	27¼	Univ Foods	1.00	2.6	22	482	38⅜	37¾	37¾	-⅝
19⅞	15¾	Univ Hlth	1.68	8.8	12	123	19½	18⅞	19⅛	+⅛
16¼	9⅝	Univar Crp	0.30	2.8	18	95	10⅞	10½	10¾	+¼
29⅜	18⅞	Univst Crp	1.02	3.7	32	124	27⅞	27¼	27⅞	+½
31¼	24¾	Unocal	0.80	2.6	33	6606	30¼	29¼	30¼	+1¼
61⅞	37¾	UNUM Corp	1.06	1.9	14	3198	58	58⅛	57	-1½
20½	12⅝	US Ind				940	20	19½	20	+¼
48⅝	29⅞	USWest	2.14	6.7	12	7673	32⅛	31⅜	32	+⅜
23	17⅞	USWstMd			67	7100	20⅜	19⅞	20¼	
24⅜	10	USA WstSv			42	1857	23⅝	23¼	23½	+⅛
10⅛	6⅞	USLIFE Inc	0.80	8.2	0	12	9¾	9½	9¾	+¼
21½	15¾	USX M	0.68	3.7	59	3047	18⅝	18⅛	18½	+⅛
39	29⅛	USX US	1.00	2.8	10	5774	36⅜	34⅛	36¼	+2⅛
13⅛	8	USX Delhi	0.20	1.8	72	163	11⅛	10⅞	10⅞	-¼
30¼	26⅜	Utilicorp	1.76	6.0	17	1321	29⅝	29⅛	29⅜	
		- X - Y - Z -								
144⅝	98½	Xerox	3.48	2.7	16	4042	130⅞	127¼	129½	+2¾
52½	39¾	Xtra Corp	0.72	1.7	13	154	43¾	43¼	43½	-⅛
25¾	19½	Yankee Egy x	1.26	5.7	15	28	22¼	22⅛	22⅛	-⅛
49	34⅛	York Int	0.24	0.5	19	1571	48⅞	48¼	48¾	+⅝
4½	2½	Zapata	0.14	4.1	5	140	3⅞	3¼	3⅞	+⅛
12⅛	5⅞	ZenithE			3	286	6¾	6½	6¾	+⅛
24⅞	19⅜	Zenith Nat	1.00	4.2	65	27	23⅞	23⅝	23⅝	-¼
7⅛	6⅛	Zenix Inc	0.72	10.7		90	6⅞	6¾	6¾	-⅛
18¼	12⅝	Zero	0.44	2.6	17	10	17¼	17⅛	17¼	+⅛
26	16⅞	Zurn Ind	0.40	2.0	15	347	20	19⅝	19⅞	+¼
11½	10¼	Zweig Fund	1.12	10.1		333	11⅛	10⅞	11⅛	+⅛
9	7⅞	Zweig Tot x	0.84	9.6		540	8¾	8⅝	8¾	

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1995. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.
d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
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AMEX COMPOSITE PRICES

4 pm close March 11

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NASDAQ NATIONAL MARKET

4 pm close March 11

[illegible]

FINANCIAL TIMES Tuesday March 12 1996

AMERICA

Rebound in Treasuries supports Dow

Wall Street

After a volatile morning, US share prices were mostly higher by early afternoon, easing Wall Street's fears that the day would bring a wave of carry-over selling after Friday's 171-point loss on the Dow Jones Industrial Average, *writes Lisa Bransten in New York.*

For the first hour of trading, blue chip shares moved between positive and negative territory with the Dow jumping at the opening and then falling more than 26 points *before stabilising with an upward bias.*

At 1 pm the Dow was up 22.40 at 5,492.85, while the Standard & Poor's 500 lost 0.20 at 633.30 and the American SE composite was off 0.56 at 557.60. NYSE volume had reached 271m shares.

One factor helping shares was a rebound in US Treasury prices, which had led equities lower on Friday. After also showing weakness early in the session, the benchmark 30-year Treasury was up half a point by midday, putting the yield at 6.671 per cent.

Rebounding technology and cyclical shares boosted the broader market. The Nasdaq composite, consisting of about *40 per cent technology issues,* was the strongest of the major indices with a 10.33 gain at 1,074.06.

Internet-related issues were especially strong, bolstered by news that Netscape Communications, the Internet software company, had signed alliances with two of the three major online services – CompuServe, a unit of H & R Block, and America Online.

Netscape's shares were up $5¼ or 14 per cent at $45¼. America Online rose $4¼ or 10 per cent to $48¾ and H & R Block was $1 stronger at $33¾.

Hopes that the economy was not about to sink into recession led to strength in cyclical shares and helped the Dow, which is weighted towards that sector, to outperform. The Morgan Stanley index of cyclical shares added 1.3 per cent, while the counterpart index of consumer issues slipped 0.3 per cent.

Rising cyclical shares in the Dow included Allied Signal, up $1¼ at $56½, and Boeing, $1⅞ ahead at $80¾.

Interest rate-sensitive issues such as commercial banks mostly added to the sharp losses made on Friday as Wall Street wrote off the possibility that the Federal Reserve would lower interest rates again in the near term. J.P. Morgan, a component of the Dow, lost $1¼ on top of the $4 surrendered on Friday, bringing the *share price to $79⅝.*

Canada

Toronto overcame early weakness by midsession and the TSE 300 composite index was up from a low of 4,873.23 to stand 2.07 higher by noon at 4,897.50 in weak volume of 30.2m shares.

In late morning trade, six of the 14 sub-groups were higher, led by metals and minerals which picked up 0.8 per cent.

Against the trend among weaker gold stocks, the Denver-based Golden Star Resources, which is listed in the US and Canada, rose C$3¼ to C$17⅞, while its subsidiary, Guyanor Resources, was C$2⅝ higher at C$11¼.

Potash Corp of Saskatchewan gained C$2⅝ at C$98⅝.

Latam tracks US

After a shaky start the region's equity markets had staged a modest recovery by midsession, although the trading environment remained very volatile. Dealers said that Wall Street would provide direction for the rest of the day.

In MEXICO CITY the IPC index had risen 18.71 to 2,755.07, although turnover was reported to have been below average. There was a comment from some brokers that a number of investors were scouring the market for bargains.

SAO PAULO followed the US rebound and by midday the Bovespa index had made 305.49 to 47,525. BUENOS AIRES told a similar story, with the Merval index up 2.06 at 499.44.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1996	Start of 1996	Start of 1996
Austria	-1.33	-1.14	+2.22	-3.86	+3.02	-0.51
Belgium	+0.26	+0.52	+28.37	+20.77	+29.14	+25.99
Denmark	-2.07	-1.94	+15.27	+10.57	+20.31	+17.37
Finland	-1.14	-1.41	+5.73	-5.76	-0.75	-3.17
France	-1.75	-2.08	+15.05	+8.71	+17.04	+14.19
Germany	-1.06	+1.78	+19.68	+14.25	+22.35	+19.36
Ireland	+0.84	+2.73	+27.60	+24.90	+30.02	+26.84
Italy	-2.43	-7.17	-2.67	-4.47	+1.68	-0.80
Netherlands	-0.11	+1.34	+27.99	+22.71	+31.40	+28.19
Norway	-0.49	+2.48	+18.98	+5.84	+13.78	+11.00
Spain	-3.72	+2.00	+27.79	+20.31	+30.04	+26.86
Sweden	-2.93	+1.67	+30.89	+29.34	+44.79	+41.25
Switzerland	+4.18	+8.27	+40.74	+34.70	+50.15	+46.47
UK	-0.93	+0.21	+23.84	+20.60	+20.60	+17.66
EUROPE	-0.70	+1.32	+22.62	+17.91	+23.97	+20.94
Australia	-2.57	-0.58	+18.85	+17.14	+18.92	+16.02
Hong Kong	+0.25	-0.32	+35.45	+34.46	+37.90	+34.54
Japan	-1.43	-4.82	+16.01	-0.71	-4.05	-6.38
Malaysia	+2.19	+5.22	+16.74	+12.57	+15.91	+13.08
New Zealand	-1.29	+1.36	+5.84	+6.30	+17.13	+14.29
Singapore	-2.65	-3.72	+23.24	+12.60	+19.68	+16.76
Canada	-0.82	-3.05	+17.23	+15.67	+21.69	+18.72
USA	-1.64	-3.11	+31.04	+37.90	+41.35	+37.90
Mexico	-5.56	-8.39	+68.46	+13.97	-24.25	-26.10
South Africa	+0.12	-2.95	+31.34	+10.51	+17.53	+14.66
WORLD INDEX	-1.29	-2.27	+24.03	+18.75	+21.05	+18.10

† Based on March 8 1996.

EUROPE

Bonds pose a question after rollercoaster day

A rollercoaster day saw senior bourses, 1.5 to 1.75 per cent off at the opening, stretch their losses to 2 or 2.5 per cent by mid-afternoon as traders positioned themselves for another 50 or 60-point drop in the Dow.

The worst did not happen; bourses recovered some ground, helped at the end by a rally in the bond markets. However, Mr John Blackley at James Capel noted higher than expected US home sales figures which, combined with a 1.6 per cent rise in German industrial production in January, suggested that bonds would retreat in the weeks ahead, and that equities would be unsettled as a result.

FRANKFURT's Dax index ended 29.08 lower at an Ibis-indicated 2,419.72, after bottoming 2.5 per cent down at 2,387.74.

Volkswagen fell DM13.80 to DM528.80. Mr Gebhard Klingenstein *at BZW in Frankfurt* said that last week's revival of Opel/VW litigation provided investors with an excuse to sell after the stock hit DM550.

The same, he said, applied to Adidas, down DM3.30 to DM96.60 as it was brought into litigation by minority shareholders in Bernard Tapie Finance; and to Thyssen, off another DM7.45 to DM270.55 following an exemplary placing of 15 per cent of the equity by Commerzbank and UBS.

Commerzbank itself lost DM9 at DM327 as professionals took the weekend story of tax arrears, packaged it with its Fokker and Bremer Vulkan involvements, and hung it around the bank's neck.

AMSTERDAM featured BolsWessanen and DSM as the AEX index closed 6.60 lower at *507.69, up from a low of 502.38.*

BolsWessanen lost Fl 2.20 or 6.2 per cent to Fl 33.50 after the food and drinks group reported a 20 per cent fall in 1995 profits and forecast that 1996 would probably see flat earnings.

DSM watchers expressed surprise at the government's policy, and its timing, in saying yesterday that it was going to complete its phased privatisation of the country's second-largest chemicals company by selling its remaining 11 per cent stake later this month. The stock receded Fl 1.70 to Fl 152.30.

The major multinational groups exposed to the US markets saw turbulent trade, with Royal Dutch, for instance, off Fl 4.80 to Fl 226.30.

PARIS fell to a session's low of 1,919.07 before the CAC-40 index recovered, closing with a loss of 26.57 at 1,948.89. Turnover was an average FFr4.4bn, with activity gaining momentum in the afternoon.

Alcatel Alsthom slipped FFr6.80 to FFr432.20 in spite of announcing that it was forming an alliance with Sharp, of Japan, for the development of electronic products such as *mobile telephones.*

Lafarge shed FFr4.60 to FFr337.20 after reporting 1995 profits much in line with market expectations; while Promodes weakened FFr25 to FFr1,240 following its 1995 figures, released on Friday.

ZURICH picked up late in the day, the SMI index finishing 43.5 down at 3,506.2, after 3,471.4.

SBC and Zurich Insurance bucked the trend on speculation that the companies might be prompted by last week's mega-merger between Sandoz and Ciba to deepen their already existing co-operation.

SBC added SFr8 at SFr456 and Zurich gained SFr10 at SFr331, although many analysts expressed scepticism that any further links were likely.

Sandoz gave up SFr50 to SFr1,300 and Ciba SFr13 to SFr1,382 on further profit-taking after last Thursday's large gains in both stocks.

Alusuisse declined SFr19 to SFr955. Enskilda Securities, which downgraded the stock, commented that following the strong performance since the beginning of 1993, the valuation looked rather stretched.

MILAN found some late support in treasury bonds, and the real-time Mibtel index picked up from a day's low of 9,307 to finish a net 135 easier at 9,433. The Comit index registered a fall of 13.87 at 587.64.

Olivetti dropped L35.4 to L818 on continuing worries of escalating price wars in the personal computer sector, after Britain's ICL decided to quit the market. The mood was further soured by continuing concerns over the mobile telephone roaming row with Tim, L53 cheaper at L2,739.

MADRID's banking and utility sectors both weakened 1.7 per cent as the general index closed 4.80 down at 327.94. But there were conflicts in consumption, where Continente, the supermarketeer, fell 3.5 per cent to Pta2,505, while Viscofan, the sausage skin maker, closed Pta70 higher at Pta1,810. However, Viscofan was standing close to Pta3,500 less than two years ago.

WARSAW retreated after rising every session for the previous two weeks. Analysts blamed profit-taking, and said that most investors did not appear to be influenced greatly by outside factors. The Wig index fell 4.4 per cent to 11,419.3.

In BUDAPEST, both domestic and foreign institutions were seen locking in profits following the market's healthy rise in recent sessions. The BUX index lost 89.24 or 3.8 per cent to 2,223.74. Turnover fell from Ft712.4m to Ft417.1m.

Brokers said the retreat appeared to be almost entirely related to profit-taking, with banks and pharmaceuticals leading the downtrend.

Written and edited by William Cochrane, Michael Morgan and John Pitt

THE DAY'S FALLS

	% Change
Madrid	-1.4
Milan	-1.4
Amsterdam	-1.3
Paris	-1.3
Frankfurt	-1.2
Zurich	-1.2

FT-SE Actuaries Share Indices

Mar 11 THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1583.32	1561.38	1560.35	1558.98	1559.48	1554.37	1561.13	1582.57
FT-SE Eurotrack 200	1637.18	1635.64	1634.06	1634.74	1635.51	1631.45	1640.81	1642.34

	Mar 8	Mar 7	Mar 6	Mar 5	Mar 4
FT-SE Eurotrack 100	1587.72	1607.55	1586.63	1588.41	1587.02
FT-SE Eurotrack 200	1662.90	1684.53	1680.60	1670.45	1672.30

Base value 1000 (26/10/90). High/day: 100 - 1583.32 200 - 1642.34 Low/day: 100 - 1554.37 200 - 1629.72 † Partial.

ASIA PACIFIC

Nikkei at year's low and Hong Kong plunges 7.3%

Tokyo

Friday's Wall Street tumble shook investor confidence, and the Nikkei average fell to its *lowest level for the year, writes Emiko Terazono in Tokyo.*

The 225 index lost 359.58 at 19,796.29 after moving between 19,747.76 and 20,056.41. Sales of high-tech stocks by overseas investors and technical selling hit share prices in early trading, while a steep fall in Hong Kong accelerated declines in the afternoon. Selling pressure *also heightened ahead of a* press conference by the ruling coalition party over the fate of the government's liquidation plan for the ailing jusen, or housing loan companies.

Volume was 320m shares, against 1.35bn on Friday, the settlement day for March futures and options contracts. The Topix index of all first section stocks slid 18.42 to 1,525.48 and the Nikkei 300 by 3.30 to 284.48. Falls led rises by 964 to 151, with 113 issues unchanged.

In London the ISE/Nikkei 50 index eased 0.06 to 1,227.86.

High-technology stocks retreated, Toshiba losing Y7 at Y756 and Fujitsu Y29 at Y967. Consumer electronics issues were also lower, with Sony down Y70 at Y6,180.

Bank shares, which had been hit by bearishness surrounding the government's jusen bail-out, continued to lose ground. Industrial Bank of Japan was off Y20 at Y2,660 and Sanwa Bank Y30 at Y1,970.

Some steels were higher on foreign buying. Nippon Steel, *the most active issue of the day,* put on Y1 at Y335.

Speculative stocks were mixed. Shinko Metals receded Y25 to Y885 but Dynic, a bookbinding cloth maker, jumped Y100 to Y876 on rumours that it was being targeted by a group of speculators.

In Osaka, the OSE average dipped 207.38 to 21,099.23 in volume of 187.8m shares. Video game maker Nintendo fell Y280 to Y6,600 following last week's announcement of the delay in the launch of its 64-bit next *generation game due to a lag* in software development.

Roundup

Wall Street's fall was joined in the region by concerns over the fresh Chinese military exercises off Taiwan. HONG KONG plunged in heavy trade, the Hang Seng index ending down 820.34 at 10,397.45, off an intra-day low of 10,308.82, its second largest one-day loss in terms of points, and the fifth biggest percentage drop. Analysts said the modest afternoon rally was related to some short-covering of index futures.

Mainly due to the Hong Kong losses, SHANGHAI's hard currency B index fell 1.365 to 50.210.

TAIPEI was again rocked by growing tensions with mainland China as the latter continued missile tests across the Taiwan Strait. The weighted index fell 98.08 to 4,711.43 in turnover of T$25bn. On Saturday the market staged a modest gain of 4.42 points as the government activated the market stabilisation fund.

The Chinese foreign minister said on Monday that Taiwan's first direct presidential elections were part of a plot to win independence for the island.

China began missile tests in the sea near Taiwan last Friday and has announced that it would stage additional war games until March 20.

Brokers said a T$200bn government stabilisation fund was expected to prevent the market from falling sharply.

SYDNEY ended at a new low for the year; domestic investors were worried additionally by today's mini budget, which followed the victory of Mr John Howard's Liberal/National coalition *in last* week's general election. The All Ordinaries index retreated 80.20 to 2,187.4.

While some brokers thought that the budget had already been factored into prices, others believed that the tough proposals likely to be contained in it would only exacerbate the market's negative mood.

The price of gold was seen as one of the keys to market support over the next few sessions, and there were hopes that bullion would rebound over the short term.

BANGKOK closed at its lowest level since the *middle of* December. One bright spot was the fact that the SET index, 4 per cent down at the opening, recovered modestly to end 45.31 off at 1,263.66.

Dealers noted that some investors came in on the buy side to pick up major bank and finance issues.

SINGAPORE closed sharply lower, *but off the day's lows,* and the Straits Times Industrial index lost 84.42 at 2,316.34. Volume was estimated at 191m shares. Losers were dominated by foreign issues held by overseas investors. DBS foreign shares dropped S$1.80 to S$18 after poorer than expected results posted by DBS Bank over the weekend.

KUALA LUMPUR suffered its largest fall in points terms for two years, the composite index finishing 33.11 lower at 1,082.99. Analysts noted, however, that the index had picked up from the day's worst of 1,073.04 to finish above 1,080, regarded as a crucial support level.

SEOUL was concerned at the lack of long-awaited market boosting steps and the composite index declined 15.34 or 1.8 per cent to 848.29.

Analysts noted that comments by the finance and economy minister Rha Woong-bae *on the possibility of reducing* the stock transaction tax fell short of expectations.

Rha said that the government was considering cutting the tax, currently set at 0.45 per cent, to try to revive the flagging bourse.

JAKARTA recovered from the session's low point as some bargain hunters emerged. The composite index relinquished 23.56 at 544.54, after a 541.10 day's low.

Analysts cautioned that while there was a modest rebound near the close, overall sentiment remained bearish.

WELLINGTON managed to steady itself after early sharp falls. The NZSE-40 capital index lost 30.91 at 2,091.25.

Among the main losers was telecom, receded 18 cents to NZ$6.52, but brokers noted that other leading issues did not perform so badly given the circumstances.

BOMBAY saw weak trading as last *week's correction continued at* the start of a new account in A group stocks. The BSE-30 index shed 52.99 to 3,291.85. KARACHI followed the regional trend, the KSE-100 falling 41.14 or 2.4 per cent to 1,936.45.

MANILA fell steeply in early trade before making a partial recovery. The composite index shed a net 66.14 at 2,810.65, after touching 2,793.15.

THE DAY'S FALLS

	% Change
Hong Kong	-7.3
Jakarta	-4.2
Sydney	-3.6
Bangkok	-3.5
Singapore	-3.5
Kuala Lumpur	-3.0
Manila	-2.3
Taipei	-2.0
Seoul	-1.8
Tokyo	-1.8
Bombay	-1.6
Wellington	-1.5

S African industrials lose 2%

Johannesburg's industrials dropped 2 per cent on Wall Street's collapse on Friday and golds were marginally weaker in sympathy, in spite of a firmer bullion price. Analysts noted that morning trade was thin because of the World Cup cricket match between South Africa and the West Indies, but activity picked up later. The overall index fell 142.2 to 6,554.8, industrials 167.7 to 8,182.4 and golds 8.7 to 1,716.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FT-SE International and Goldman Sachs in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS	FRIDAY MARCH 8 1996								THURSDAY MARCH 7 1996					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (81)	199.13	0.3	193.43	133.20	153.59	172.39	-0.3	3.96	198.44	192.29	132.09	152.57	172.98	202.74	158.79	161.12
Austria (26)	183.67	-0.5	178.41	122.86	141.66	141.51	-0.1	1.62	184.50	178.78	122.82	141.86	141.69	199.28	168.11	192.22
Belgium (34)	212.21	-0.7	206.14	141.96	163.68	159.67	-0.4	3.39	213.81	207.18	142.33	164.39	160.25	215.81	172.97	175.91
Brazil (28)	147.48	-0.8	143.26	98.65	113.75	297.01	-0.9	1.73	148.72	144.11	99.00	114.35	269.43	170.25	86.08	94.43
Canada (101)	153.61	-1.1	149.22	102.76	118.48	152.03	-1.5	2.47	155.36	150.54	103.42	119.46	154.30	158.71	126.91	126.91
Denmark (33)	295.54	-1.4	287.09	197.70	227.95	230.44	-1.1	1.66	299.76	290.47	199.54	230.47	232.90	305.17	252.41	263.88
Finland (24)	180.06	-0.7	174.91	120.45	138.88	174.31	-0.4	2.82	181.36	175.74	120.73	139.44	175.01	276.11	171.13	182.00
France (98)	186.75	-1.7	181.40	124.92	144.04	148.83	-1.4	3.09	190.02	184.13	126.49	146.10	150.93	191.17	161.53	167.21
Germany (60)	171.06	-0.7	166.17	114.43	131.94	131.94	-0.4	1.86	172.23	166.90	114.65	132.42	132.42	173.79	142.25	153.04
Hong Kong (58)	438.78	0.1	426.22	293.51	338.43	435.61	0.1	3.28	438.14	424.57	291.66	336.87	435.02	451.19	323.87	324.05
Ireland (16)	261.59	-1.3	254.11	174.99	201.77	235.02	-1.1	3.41	265.00	256.79	176.40	203.74	237.51	265.00	205.44	210.73
Italy (59)	74.69	-2.2	72.55	49.96	57.61	87.14	-1.9	1.73	76.39	74.02	50.85	58.73	88.86	82.71	65.45	72.66
Japan (482)	146.92	0.5	142.71	98.28	113.32	98.28	0.9	0.78	146.24	141.71	97.35	112.44	97.35	164.82	137.76	147.87
Malaysia (107)	542.07	-1.2	526.56	362.61	418.10	530.69	-1.1	1.60	548.83	531.82	365.34	421.97	536.67	561.96	425.77	463.14
Mexico (18)	1046.55	-3.6	1016.61	700.07	807.21	8690.56	-3.4	1.60	1086.16	1052.50	723.03	835.10	8995.10	1237.14	647.81	699.52
Netherland (19)	278.02	-1.3	270.06	185.97	214.43	210.78	-0.9	3.26	281.58	272.85	187.44	216.49	212.81	283.23	227.76	232.41
New Zealand (13)	80.52	1.4	78.21	53.86	62.10	63.29	1.1	4.71	79.37	76.92	52.84	61.03	62.63	85.49	72.39	72.62
Norway (33)	236.61	-1.3	229.84	158.28	182.50	207.13	-1.0	2.46	239.65	232.23	159.53	184.26	209.20	243.79	202.76	207.53
Singapore (44)	435.56	-0.2	423.09	291.36	335.95	262.71	-0.2	1.43	436.57	423.04	290.61	335.66	263.41	465.21	346.10	349.57
South Africa (45)	386.08	0.0	375.03	258.26	297.79	331.42	0.3	3.13	385.96	374.00	256.93	296.75	330.27	437.76	318.91	323.15
Spain (37)	167.41	0.1	162.62	111.99	129.12	158.31	0.3	3.82	167.31	162.13	111.38	128.64	157.83	175.88	124.10	127.87
Sweden (47)	326.45	-2.2	317.11	218.37	251.79	328.98	-1.9	2.32	333.82	323.48	222.22	256.66	335.34	342.56	232.23	237.55
Switzerland (39)	241.98	-0.7	235.04	161.86	186.63	180.53	-0.5	1.50	243.63	236.08	162.18	187.32	181.45	243.63	171.84	179.09
Thailand (46)	179.78	-0.6	174.63	120.26	138.66	175.97	-0.6	1.94	180.90	175.30	120.42	139.09	177.00	193.95	130.15	137.08
United Kingdom (205)	229.23	-1.4	222.67	153.34	176.80	222.67	-1.2	4.20	232.56	225.35	154.80	178.80	225.35	235.50	193.41	196.88
USA (631)	259.05	-3.0	251.64	173.29	199.81	259.05	-3.0	2.24	267.16	258.88	177.84	205.41	267.16	269.11	197.59	197.59
Americas (778)	236.16	-3.0	229.40	157.98	182.15	198.52	-3.0	2.24	243.36	235.82	162.00	187.11	204.59	245.54	180.09	180.24
Europe (730)	204.34	-1.2	198.49	136.69	157.61	177.90	-1.0	3.05	206.93	200.52	137.75	159.10	179.36	206.93	169.63	173.83
Nordic (137)	283.61	-1.6	275.50	189.72	218.75	247.99	-1.5	2.26	288.76	279.81	192.22	222.02	251.88	295.02	222.22	229.00
Pacific Basin (832)	160.96	0.3	156.35	107.67	124.15	110.56	0.7	1.21	160.39	155.42	106.77	123.32	109.79	171.87	148.88	155.29
Euro-Pacific (1562)	178.93	-0.4	173.81	119.69	138.01	135.92	-0.1	2.09	179.69	174.12	119.61	138.15	136.07	183.39	158.92	162.92
North America (732)	252.53	-3.0	245.31	168.93	194.78	251.88	-3.0	2.25	260.26	252.20	173.25	200.11	259.62	262.26	193.22	193.22
Europe Ex. UK (525)	185.91	-1.2	180.59	124.36	143.39	151.75	-0.9	2.43	188.09	182.26	125.20	144.61	153.07	188.09	152.82	157.32
Pacific Ex. Japan (350)	289.16	-0.1	280.89	193.43	223.03	252.38	-0.3	2.95	289.43	280.46	192.67	222.53	253.03	293.58	229.25	229.25
World Ex. US (1754)	180.15	-0.5	174.99	120.51	138.95	140.00	-0.1	2.12	180.97	175.36	120.46	139.14	140.21	184.71	159.65	162.78
World Ex. UK (2180)	202.01	-1.6	196.23	135.13	155.81	169.49	-1.4	1.97	205.26	198.90	136.63	157.81	171.93	207.64	170.18	170.84
World Ex. Japan (1903)	236.06	-2.1	229.30	157.90	182.07	222.81	-2.1	2.57	241.23	233.75	160.56	185.47	227.52	242.17	187.55	188.31
The World Index (2385)	204.43	-1.6	198.58	136.75	157.68	174.26	-1.4	2.17	207.69	201.25	138.25	159.68	176.75	209.73	172.24	173.14

 PLEASE NOTE: Amendments to indices 8/3/96 applied to USA, related regional indices and The World Index. CONSTITUENT CHANGES WITH EFFECT 12/3/96: Deletions: Fortis AG (N V P R) (Belgium) and Gambro B (Sweden). Latest prices were unavailable for this edition.